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Financial Summary

Amounts expressed in millions of Mexican pesos (Ps.)
as of December 31: (1)

	2010	2009 ⁽²⁾	2008 ⁽²⁾	2007 ⁽²⁾	2006 ⁽²⁾
Income Statement					
Net sales	Ps. 168,376	Ps. 158,503	Ps. 132,260	Ps. 113,320	Ps. 101,953
Total revenues	169,702	160,251	133,808	114,459	102,870
Cost of sales	98,732	92,313	77,990	67,492	60,949
Gross profit	70,970	67,938	55,818	46,967	41,921
Operating expenses	48,441	46,808	38,469	32,667	29,490
Income from operations	22,529	21,130	17,349	14,300	12,431
Other expenses, net	282	1,877	2,019	832	1,187
Comprehensive financing result	2,153	2,627	4,682	1,111	1,444
Equity method of associates	3,538	132	90	12	(24)
Income taxes	5,671	4,959	3,108	3,931	3,091
Net income from continuing operations	17,961	11,799	7,630	8,438	6,685
Income from the exchange shares with HKN	26,623	0	0	0	0
Net income from discontinuing operations	706	3,283	1,648	3,498	3,175
	45,290	15,082	9,278	11,936	9,860
Net controlling interest income	40,251	9,908	6,708	8,511	7,127
Net noncontrolling interest income	5,039	5,174	2,570	3,425	2,733
Ratios to total revenues (%)					
Gross margin	41.8%	42.4%	41.7%	41.0%	40.8%
Operating margin	13.3%	13.2%	13.0%	12.5%	12.1%
Net income of continuing operations	10.6%	7.4%	5.7%	7.4%	6.5%
Other information					
Depreciation	3,827	3,729	3,276	2,765	2,587
Amortization and other non cash charges to income from operations	2,061	1,773	1,499	1,391	1,406
EBITDA	28,417	26,632	22,124	18,456	16,424
Capital expenditures ⁽³⁾	11,171	9,103	7,816	5,939	5,003
Balance Sheet					
Assets					
Current assets	51,460	38,263	27,595	26,988	19,033
Current assets of discontinuing operations	0	13,450	15,561	15,343	14,085
Property, plant and equipment, net ⁽⁴⁾	42,136	40,283	36,542	30,617	29,586
Investment in shares	68,793	2,208	1,850	1,537	500
Intangible assets	52,340	51,992	48,539	43,511	42,098
Other assets	8,849	20,892	12,307	11,884	6,406
Non current assets of discontinuing operations	0	58,818	55,640	53,538	48,265
Total assets	223,578	225,906	198,034	183,418	159,973

Amounts expressed in millions of Mexican pesos (Ps.)
as of December 31: (1)

	2010	2009 ⁽²⁾	2008 ⁽²⁾	2007 ⁽²⁾	2006 ⁽²⁾
Liabilities					
Short-term debt	3,303	8,539	9,269	6,059	3,415
Current liabilities	27,213	28,679	26,082	22,724	19,431
Current liabilities of discontinuing operations	0	10,883	12,912	13,581	10,503
Long-term debt	22,203	21,260	21,853	23,066	21,160
Labor liabilities	1,883	1,776	1,500	1,886	1,557
Deferred income taxes liabilities	10,567	867	1,916	1,810	2,236
Other	5,396	5,857	4,869	6,186	3,456
Non current liabilities of discontinuing operations	0	32,216	22,738	18,453	20,007
Total liabilities	70,565	110,077	101,139	93,765	81,765
Stockholders' equity	153,013	115,829	96,895	89,653	78,208
Controlling interest	117,348	81,637	68,821	64,578	56,654
Noncontrolling interest	35,665	34,192	28,074	25,075	21,554
Financial ratios (%)					
Liquidity	1.696	1.028	0.791	0.938	0.833
Leverage	0.461	0.950	1.044	1.046	1.045
Capitalization	0.15	0.22	0.26	0.26	0.25
Data per share					
Book value ⁽⁵⁾	6.559	4.563	3.847	3.609	3.167
Net income ⁽⁶⁾	2.250	0.554	0.375	0.476	0.398
Dividends paid ⁽⁷⁾					
Series B shares	0.130	0.081	0.081	0.074	0.049
Series D shares	0.162	0.101	0.101	0.093	0.061
Number of outstanding shares ⁽⁸⁾	17,891.13	17,891.13	17,891.13	17,891.13	17,891.13

(1) Amounts as of December 31, 2007 and 2006 are expressed in millions of pesos as of December 31, 2007

(2) The figures for these years were restated for comparison with the current period as a result of exchange of 100% of FEMSA Cerveza for 20% economic interest in the Heineken Group.

(3) Includes investments in property, plant and equipment, as well as deferred charges and intangible assets.

(4) Includes bottles and cases

(5) Controlling interest divided by the total number of shares outstanding at the end of each year.

(6) Net controlling interest income divided by the total number of shares outstanding at the end of each year.

(7) Expressed in nominal pesos of each year

(8) Total number of shares outstanding at the end of each year expressed in millions.

Management's Discussion and Analysis

Audited Financial Results for the twelve months ended December 31, 2010 Compared to the twelve months ended December 31, 2009.

Set forth below is certain audited financial information for Fomento Económico Mexicano, S.A.B. de C.V. and its subsidiaries ("FEMSA" or the "Company") (NYSE: FMX; BMV: FEMSA UBD). FEMSA is a holding company whose principal activities are grouped mainly under the following subholding companies (the "Subholding Companies"): Coca-Cola FEMSA, S.A.B. de C.V. ("Coca-Cola FEMSA" or "KOF"), (NYSE: KOF, BMV: KOFL) which engages in the production, distribution and marketing of beverages, and FEMSA Comercio, S.A. de C.V. ("FEMSA Comercio"), which engages in the operation of convenience stores.

On April 30, 2010, FEMSA announced the closing of the strategic transaction pursuant to which FEMSA agreed to exchange 100% of its beer operations for a 20% economic interest in the Heineken Group ("the Heineken Transaction"). For more information regarding this acquisition, please refer to the Heineken Transaction filings available at www.femsa.com/investor. FEMSA's consolidated 2010 and 2009 results reflect the Heineken Transaction effects and are presented on a comparable basis.

All of the figures in this report were prepared in accordance with Mexican Financial Reporting Standards ("Mexican FRS" or "Normas de Información Financiera"). The 2010 and 2009 results are stated in nominal Mexican pesos ("pesos" or "Ps."). Translations of pesos into US dollars ("US\$") are included solely for the convenience of the reader and are determined using the noon buying rate for pesos as published by the Federal Reserve Bank of New York on December 30, 2010, which was 12.3825 pesos per US dollar.

This report may contain certain forward-looking statements concerning FEMSA's future performance that should be considered good faith estimates made by the Company. These forward-looking statements reflect management expectations and are based upon currently available data. Actual results are subject to future events and uncertainties, which could materially impact the Company's actual performance.

FEMSA Consolidated

2010 amounts in average Mexican pesos (millions)

FEMSA and its Subsidiaries

	Total Revenues	% Growth Versus '09	Income from Operations	% Growth Versus '09
FEMSA Consolidated	169,702	5.9%	22,529	6.6%
Coca-Cola FEMSA	103,456	0.7%	17,079	7.9%
FEMSA Comercio	62,259	16.3%	5,200	16.7%

Comparable Total Revenues

FEMSA's comparable consolidated total revenues increased 5.9% to Ps. 169,702 million in 2010 compared to Ps. 160,251 million in 2009. All of FEMSA's beverage and retail operations contributed positively to this revenue growth. Coca-Cola FEMSA's total revenues increased 0.7% to Ps. 103,456 million, driven by the revenue growth in our Mercosur and Mexico divisions. FEMSA Comercio's revenues increased 16.3% to Ps. 62,259 million, mainly driven by the opening of 1,092 net new stores combined with an average increase of 5.2% in same-store sales.

Comparable Gross Profit

Comparable consolidated gross profit increased 4.5% to Ps. 70,970 million in 2010 compared to Ps. 67,938 million in 2009, driven by FEMSA Comercio. Gross margin contracted by 0.6 percentage points, from 42.4% of consolidated total revenues in 2009 to 41.8% in 2010 as the faster growth of lower-margin FEMSA Comercio tends to compress FEMSA's consolidated margins over time. Gross margin improvement at FEMSA Comercio partially offset raw-material cost pressures at Coca-Cola FEMSA.

Comparable Income from Operations

Comparable consolidated operating expenses increased 3.5% to Ps. 48,441 million in 2010 compared to Ps. 46,808 million in 2009. The majority of this increase resulted from additional operating expenses at FEMSA Comercio, resulting from accelerated store expansion. As a percentage of total revenues, consolidated operating expenses decreased from 29.2% in 2009 to 28.5% in 2010.

Comparable consolidated administrative expenses decreased 0.9% to Ps. 7,766 million in 2010 compared to Ps. 7,835 million in 2009. As a percentage of total revenues, consolidated administrative expenses remained stable at 4.6% in 2010 compared with 4.9% in 2009.

Comparable consolidated selling expenses increased 4.4% to Ps. 40,675 million in 2010 as compared to Ps. 38,973 million in 2009. This increase was attributable to FEMSA Comercio. As a percentage of total revenues, selling expenses decreased 0.3 percentage points from 24.3% in 2009 to 24.0% in 2010.

Comparable consolidated income from operations increased 6.6% to Ps. 22,529 million in 2010 as compared to Ps. 21,130 million in 2009. This increase was driven by the results of Coca-Cola FEMSA and FEMSA Comercio. Excluding one-time Heineken Transaction-related expenses, comparable consolidated income from operations would have grown 8.7% in that period. Consolidated operating margin increased 0.1 percentage points from 2009, to 13.3% as a percentage of 2010 consolidated total revenues.

Integral Result of Financing

Integral result of financing decreased 18.0% in 2010 to Ps. 2,153 million, reflecting an improvement over the low comparison base of 2009, driven by lower interest expenses.

Income Taxes

Our accounting provision for income taxes in 2010 was Ps. 5,671 million compared to Ps. 4,959 million in 2009, resulting in an effective tax rate of 24.0% in 2010 as compared with 29.6% in 2009.

Net Income from Continuing Operations

Net income from continuing operations increased 52.2% to Ps. 17,961 million in 2010 compared to Ps. 11,799 million in 2009. These results were driven by the combination of (i) the inclusion of FEMSA's 20% participation in the last eight months of Heineken's 2010 net income, (ii) growth in income from operations, and (iii) a reduction in the other expenses line.

Net Consolidated Income

Net consolidated income reached Ps. 45,290 million in 2010 compared to Ps. 15,082 million in 2009, driven by (i) the one-time Heineken Transaction-related gain and (ii) a double-digit increase in FEMSA's net income from continuing operations.

Net majority income amounted to Ps. 40,251 million in 2010 compared to Ps. 9,908 million in 2009. Net majority income in 2010 per FEMSA Unit¹ was Ps. 11.25 (US\$ 9.08 per ADS).

Capital Expenditures

Capital Expenditures reached Ps. 11,171 million in 2010, an increase of 22.7% from 2009, driven by higher capacity-related investments at Coca-Cola FEMSA and the acceleration of store openings at FEMSA Comercio.

Consolidated Balance Sheet

As of December 31, 2010, FEMSA recorded a cash balance of Ps. 27,163 million (US\$ 2.193 billion), an increase of Ps. 10,542 million (US\$ 851.4 million) as compared to December 31, 2009, reflecting strong cash generation at all of our operations, particularly at Coca-Cola FEMSA. Short-term debt was Ps. 3,303 million (US\$ 266.7 million) while long-term debt was Ps. 22,203 million (US\$ 1.793 billion). Our consolidated net cash balance was Ps. 1,657 million (US\$ 133.8 million).

Financial Results by Business Segment

Coca-Cola FEMSA

Total Revenues

Coca-Cola FEMSA total revenues increased 0.7% to Ps. 103,456 million in 2010, compared to Ps. 102,767 million in 2009 as a result of revenue growth in Coca-Cola FEMSA's Mercosur and Mexico divisions and despite the devaluation of the Venezuelan bolivar. On a currency-neutral basis and excluding the acquisition of Brisa in Colombia, total revenues increased approximately 15% in 2010.

Consolidated average price per unit case decreased 2.6%, reaching Ps. 39.89 in 2010 as compared to Ps. 40.95 in 2009, reflecting the devaluation in the Venezuelan bolivar.

Consolidated total sales volume reached 2,499.5 million unit cases in 2010, compared to 2,428.6 million unit cases in 2009, an increase of 2.9%. Volume growth resulted largely from increases in sparkling beverages, which accounted for approximately 70% of incremental volumes, mainly driven by the Coca-Cola brand. The still beverage category, mainly driven by the Jugos del Valle line of business in Coca-Cola FEMSA's key operations, contributed with less than 20% of the incremental volumes and the bottled water category represented the balance. Excluding the acquisitions of Brisa, total sales volume increased 2.1% to reach 2,479.6 million unit cases.

Gross Profit

Cost of sales increased 1.1% to Ps. 55,534 million in 2010 compared to Ps. 54,952 million in 2009, as a result of increases in the cost of sweeteners our operations, which were partially offset by the appreciation of the Brazilian real, the Colombian peso and the Mexican peso as applied to Coca-Cola FEMSA's U.S. dollar-denominated raw material costs. Gross profit increased 0.2% to Ps. 47,922 million in 2010, as compared to 2009, despite the devaluation of the Venezuelan bolivar; Coca-Cola FEMSA's gross margin decreased 0.2 percentage points to 46.3% in 2010.

Income from Operations

Operating expenses decreased 3.6% to Ps. 30,843 million in 2010. As a percentage of sales, operating expenses decreased to 29.8% in 2010 from 31.1% in 2009.

Income from operations increased 7.9% to Ps. 17,079 million in 2010, as compared to Ps. 15,835 million in 2009 driven by Coca-Cola FEMSA's Mercosur and Latincentro divisions. Operating margin was 16.5% in 2010, an expansion of 1.1 percentage points as compared to 2009.

⁽¹⁾ FEMSA Units consist of FEMSA BD Units and FEMSA B Units. Each FEMSA BD Unit is comprised of one Series B Share, two Series D-B Shares and two Series D-L Shares. Each FEMSA B Unit is comprised of five Series B Shares. The number of FEMSA Units outstanding as of December 31, 2010 was 3,578,226,270 equivalent to the total number of FEMSA Shares outstanding as of the same date, divided by 5.

Femsa Comercio

Total Revenues

FEMSA Comercio total revenues increased 16.3% to Ps. 62,259 million in 2010 compared to Ps. 53,549 million in 2009, primarily as a result of the opening of 1,092 net new stores during 2010, together with an average increase of same-store sales of 5.2%. As of December 31, 2010, there were a total of 8,426 stores in Mexico. FEMSA Comercio same-store sales increased an average of 5.2% compared to 2009, driven by a 3.9% increase in store traffic and 1.3% in average ticket. As was the case in 2009, the same-store sales, ticket and traffic dynamics continued to reflect the effects from the continued mix shift from physical prepaid wireless air-time cards to the sale of electronic air-time, for which only the margin is recorded, rather than the full amount of the electronic recharge.

Gross Profit

Cost of sales increased 15.1% to Ps. 41,220 million in 2010, below total revenue growth, compared with Ps. 35,825 million in 2009. As a result, gross profit reached Ps. 21,039 million in 2010, which represented an 18.7% increase from 2009. Gross margin expanded 0.7 percentage points to reach 33.8% of total revenues. This increase reflects a positive mix shift due to (i) the growth of higher margin categories, (ii) a more effective collaboration and execution with FEMSA Comercio's key supplier partners combined with a more efficient use of promotion-related marketing resources, and (iii) to a lesser extent, the continued mix shift towards electronic air-time recharges as described above.

Income from Operations

Operating expenses increased 19.4% to Ps. 15,839 million in 2010 compared with Ps. 13,267 million in 2009, largely driven by the growing number of stores as well as by incremental expenses such as (i) higher utility tariffs at the store level and (ii) the strengthening of FEMSA Comercio's organizational structure, mainly IT-related, which was deferred in 2009 in response to the challenging economic environment that prevailed in Mexico at the time. Administrative expenses increased 23.7% to Ps. 1,186 million in 2010, compared with Ps. 959 million in 2009, however, as a percentage of sales remained stable at 1.9%. Selling expenses increased 19.1% to Ps. 14,653 in 2010 compared with Ps. 12,308 million in 2009. Income from operations increased 16.7% to Ps. 5,200 million in 2010 compared with Ps. 4,457 million in 2009, resulting in an operating margin expansion of 10 basis points to 8.4% as a percentage of total revenues for the year, compared with 8.3% in 2009.

Key Events During 2010

The following texts reproduce our communication exactly as originally disclosed

FEMSA Agrees to Exchange Beer Operations for 20% Economic Interest in Heineken

On January 11, 2010, FEMSA announced that its Board of Directors has unanimously approved a definitive agreement under which FEMSA will exchange its FEMSA Cerveza business unit for a 20% economic interest in Heineken, one of the world's leading brewers. Under the terms of the agreement, FEMSA will receive 43,018,320 shares of Heineken Holding N.V. and 72,182,201 shares of Heineken N.V., of which 29,172,502 will be delivered pursuant to an allotted share delivery instrument. It is expected that the allotted shares will be acquired by Heineken in the secondary market for delivery to FEMSA over a term not to exceed five years. Heineken also will assume US\$ 2.1 billion of indebtedness including FEMSA Cerveza's unfunded pension obligations. The total transaction is valued at approximately US\$ 7.347 billion, based on closing prices of € 32.92 for Heineken N.V. and € 29.38 for Heineken Holding N.V. on January 8, 2010, including the assumed debt. José Antonio Fernández Carbajal, Chairman of the Board and Chief Executive Officer of FEMSA, will join Heineken N.V.'s Supervisory Board as a Vice Chairman. Mr. Fernández will also serve as Chairman of the newly-formed Americas Committee and will be a member of the Heineken Holding N.V. Board. Another member of FEMSA's senior management team will also serve on the Heineken N.V. Supervisory Board.

The transaction combines FEMSA Cerveza's beer brands, including Dos Equis, Sol and Tecate, with Heineken's global platform and Premium brand portfolio, including Heineken, the iconic and only truly global premium beer brand, as well as Amstel, Birra Moretti and Cruzcampo. Heineken will gain important market positions in Mexico and Brazil, further strengthening Heineken's worldwide footprint. Under a long-standing agreement, Heineken currently distributes FEMSA Cerveza's beer brands in the U.S., and the two companies also share joint ownership of their beer operations in Brazil.

The transaction, which is expected to be completed in the first half of 2010, is subject to customary regulatory approvals, as well as approval by FEMSA, Heineken N.V. and Heineken Holding N.V. shareholders.

Allen & Company, N M Rothschild & Sons Ltd., and Rebecca Miller acted as financial advisors, and Cleary Gottlieb Steen & Hamilton LLP and Freshfields Bruckhaus Deringer LLP provided legal advice to FEMSA in connection with this transaction.

FEMSA Signs Agreement with The Coca-Cola Company

On March 10, 2010, FEMSA announced that subsidiaries of FEMSA have signed an agreement with subsidiaries of The Coca-Cola Company to amend the Shareholders Agreement for Coca-Cola FEMSA, S.A.B. de C.V. The main purpose of the amendment is to set forth that the appointment and compensation of the chief executive officer and all officers reporting to the chief executive officer, as well as the adoption of decisions related to the ordinary operations of Coca-Cola FEMSA shall only require a simple majority vote of the board of directors. Decisions related to extraordinary matters (such as business acquisitions or combinations, among others), shall continue requiring of the vote of the majority of the board of directors, including the affirmative vote of two of the members appointed by The Coca-Cola Company. The amendment was approved at Coca-Cola FEMSA's extraordinary shareholders meeting on April 14, 2010, and is reflected in the by-laws of Coca-Cola FEMSA.

Mexican Antitrust Commission Approves FEMSA's Strategic Transaction with Heineken

On March 29, 2010, FEMSA announced that the Comisión Federal de Competencia, Mexico's anti trust regulator, has approved without reservation the strategic exchange of 100% of the shares of the beer operations owned by FEMSA for an interest in Heineken, under the terms described in FEMSA's disclosure of January 11, 2010. Hart-Scott-Rodino approval has also been granted by the relevant trade authorities in the United States.

Coca-Cola FEMSA Shareholder Meeting

On April 14, 2010, Coca-Cola FEMSA held its Annual Ordinary General Shareholders Meeting during which its shareholders approved the Company's consolidated financial statements for the year ended December 31, 2009, the declaration of dividends corresponding to fiscal year 2009 and the composition of the Board of Directors and Committees for 2010. Shareholders approved the payment of a cash dividend in the amount of approximately Ps. 2,604 million. The dividend will be paid as of April 26, 2010, in the amount of Ps. 1.41 per each ordinary share, equivalent to Ps. 14.10 per ADS.

Coca-Cola FEMSA Extraordinary Shareholders Meeting

On April 14, 2010, Coca-Cola FEMSA held an Extraordinary Shareholders Meeting during which its shareholders approved the amendment to the Company's by-laws to reflect changes to the shareholder agreement between subsidiaries of The Coca-Cola Company and subsidiaries of Fomento Económico Mexicano, S.A.B. de C.V.. The main purpose of the amendment is to set forth that the appointment and compensation of the Chief Executive Officer and all officers reporting to the Chief Executive Officer, and that the adoption of decisions related to the ordinary operations of Coca-Cola FEMSA shall only require a simple majority vote of the Board of Directors. Decisions related to extraordinary matters (such as business acquisitions or combinations, among others) shall continue requiring the vote of the majority of the Board of Directors, with the vote of two of the members appointed by The Coca-Cola Company.

Coca-Cola FEMSA Yankee Bond and Certificado Bursátil Maturities Payment

On April 16, 2010, Coca-Cola FEMSA fully paid the Ps. 1,000 million 7 year Certificado Bursátil (KOF 03-3), issued on April 25, 2003. This maturity was paid down with the proceeds of the February 2010 Yankee Bond issuance and will be reflected on Coca-Cola FEMSA's balance sheet on the second quarter of 2010.

FEMSA Shareholders hold Annual Meeting and Approve Transaction with Heineken

On April 26, 2010, FEMSA held its Annual Ordinary General Shareholders Meeting, during which shareholders approved the Heineken Transaction, the annual report for 2009 presented by the Board of Directors, the Company's consolidated financial statements for the year ended December 31, 2009, the declaration of dividends corresponding to fiscal year 2009, and the composition of the Board of Directors for 2010.

Shareholders approved the exchange of 100% of FEMSA's beer operations in Mexico and Brazil for a 20% economic interest in the Heineken Group, and the assumption by Heineken of debt in the amount of US\$2,100 million.

Shareholders approved the payment of a cash dividend in the amount of Ps. 2,600 million, consisting of Ps. 0.162076 per each Series "D" share and Ps. 0.1296608 per each Series "B" share, which amounts to Ps. 0.777965 per "BD" Unit (BMV: FEMSAUBD) or Ps. 7.77965 per ADS (NYSE: FMX), and Ps. 0.648304 per "B" Unit (BMV: FEMSAUB). The dividend payment will be split in two equal payments, payable on May 4, 2010 and November 3, 2010.

FEMSA Closes Strategic Transaction with Heineken

On April 30, 2010, FEMSA announced the closing of the strategic transaction pursuant to which FEMSA agreed to exchange 100% of its beer operations for a 20% economic interest in the Heineken Group.

Mundet Brand Transaction

During the Third Quarter of 2010, FEMSA sold the *Mundet* brand to The Coca-Cola Company. *Mundet* is a 100-plus year old brand acquired by FEMSA in 2001, and its flagship brand, *Sidral Mundet*, is a leading product with real apple content.

Matte Leão Transaction

During the third quarter, Coca-Cola FEMSA completed a transaction with a Brazilian subsidiary of The Coca-Cola Company to produce, sell and distribute *Matte Leão* branded products. This transaction will reinforce Coca-Cola FEMSA's non-carbonated product offering through the platform that is operated by The Coca-Cola Company and its bottling partners in Brazil. As a part of the agreement, Coca-Cola FEMSA has been selling and distributing certain *Matte Leão* branded ready-to-drink products since the first quarter of 2010.

Grafo Regia Transaction

On September 16, 2010, FEMSA signed definitive agreements to sell its flexible packaging operations, Grafo Regia. This transaction is consistent with FEMSA's strategy to divest non-core assets. The operation is subject to certain conditions, including approval from the corresponding regulatory authorities, and is expected to close during the fourth quarter of 2010.

Coca-Cola FEMSA announces a preliminary agreement with Grupo Industrias Lácteas in Panama

On October 14th, 2010 Coca-Cola FEMSA announced that it signed a memorandum of understanding by which it could acquire all of the shares of Grupo Industrias Lácteas in Panama. This understanding provides Coca-Cola FEMSA exclusivity for the purposes of this process, which will include the completion of legal, financial, and operating due diligence. Any resulting transaction would be subject to customary government and regulatory approvals and corporate authorizations. This transaction would allow Coca-Cola FEMSA to enter into the milk and dairy products category. Assuming the transaction is approved and completed successfully, this business would subsequently become part of the non-carbonated beverage platform that Coca-Cola FEMSA shares with its partner, The Coca-Cola Company.

Audit Committee Annual Report

To the Board of Directors

Fomento Económico Mexicano, S.A.B. de C.V.:

In compliance with the provisions of Articles 42 and 43 of the Stock Exchange Market Law (Ley del Mercado de Valores) and the Charter of the Audit Committee, we do hereby inform you about the activities we performed during the year ending on December 31, 2010. In performing our work, we kept in mind the recommendations established in the Code of Corporate Best Practices and the provisions set forth in the Sarbanes–Oxley Act, considering our Company is listed in the U.S. Stock Exchange Market. We met at least quarterly and, based on a work program, we carried out the activities described below:

Internal Control

We made sure that Management, in compliance with its responsibilities regarding internal control, established the general guidelines and the processes necessary for their application and compliance. Additionally, we followed up on the comments and remarks made in this regard by External Auditors as a result of their findings.

We validated the actions taken by the Company in order to comply with section 404 of the Sarbanes–Oxley Act regarding the self-assessment of internal control performed by the Company and to be reported for year 2010. Throughout this process, we followed up on the preventive and corrective measures implemented for any internal control aspects requiring improvement.

Risk Assessment

We periodically evaluated the effectiveness of the Risk Management System, established to identify, measure, record, assess, and control the Company's risks, as well as for the implementation of follow-up measures to assure its effective operation, considering it appropriate.

We reviewed with Management and both External and Internal Auditors, the key risk factors that could adversely affect the Company's operations and patrimony, and it was determined that they have been appropriately identified and managed.

External Auditing

We recommended the Board of Directors to hire external auditors for the Group and its subsidiaries for the fiscal year 2010. For this purpose, we verified their independence and their compliance with the requirements established in the Law. Jointly, we analyzed their approach and work program as well as their coordination with the Internal Audit area.

We remained in constant and direct communication in order to keep abreast of their progress and their remarks, and also to note the comments arising from their review of quarterly and annual financial statements. We were timely informed on their conclusions and reports regarding annual financial statements and followed up on the committed actions implemented resulting from the findings and recommendations provided during their work program.

We authorized the fees paid to external auditors for their audit and other allowed services, and made sure such services would not compromise their independence from the Company.

Taking into account Management views, we carried out an assessment of their services for the previous year and initiated the evaluation process corresponding to the fiscal year 2010.

Internal Auditing

In order to maintain independence and objectiveness, the Internal Audit area reports functionally to the Audit Committee. Therefore:

We reviewed and approved, in due time, their annual activity program and budget. In order to elaborate them, the Internal Audit area took part in the process of identifying risks, establishing controls and testing them, so as to comply with the requirements of Sarbanes–Oxley Law.

We received periodical reports regarding the progress of the approved work program, the departures from it they may have had and the causes thereof.

We followed up on the remarks and suggestions they issued and their proper implementation.

We made sure an annual training plan was implemented.

We reviewed the evaluations of the Internal Audit service done by the business units' responsables and the Audit Committee.

Financial Information, Accounting Policies And Reports To Third Parties

We went over corporate quarterly and annual financial statements with the individuals responsible for their preparation and recommended the Board of Directors to approve them and authorize their publication. As a part of this process, we took into account the opinions and remarks from external auditors and made sure the criteria, accounting policies and information used by Management to prepare financial information were all adequate and sufficient and that they were applied consistently with the previous year. As a consequence, the information submitted by Management does reasonably reflect the Company's financial situation, its operating results and the changes in its financial situation for the year ending on December 31, 2010.

We also reviewed the quarterly reports prepared by Management to be submitted to shareholders and broad public, verifying that such information was prepared through use of the same accounting criteria used to prepare annual information. For our own satisfaction, we reviewed the existence of an integral process that provides a reasonable assurance of fairness in the information content. As a conclusion, we recommend the Board to authorize the publication thereof.

We reviewed the adequate accounting treatment of the significant transactions that took place during the year.

Our review also included the reports as well as any other financial information required by Mexican and United States regulatory authorities.

We approved the inclusion of new accounting procedures issued by the entities in charge of Mexican accounting standards that came into force in 2010, into corporate accounting policies.

We periodically received advance reports about the process is taking place in the Company for the adoption of International Financial Reporting Standards based on the terms established in the Circular issued by the Mexican National Banking and Securities Commission. At the appropriate time, we will submit you our recommendations for its implementation until 2012, year in which the adoption is mandatory according to the rules issued by the aforementioned Commission.

Compliance With Standards, Legal Issues And Contingencies

We do hereby confirm the existence and reliability of the Company-established controls to ensure compliance with the various legal provisions applicable to the Company. We verified they were properly disclosed in financial information.

We made a periodical review of the various fiscal, legal and labor contingencies occurring in the Company. We oversaw the efficiency of the procedures established for their identification and follow-up, as well as their adequate disclosure and recording.

Code of Conduct

With the support from Internal Auditing, we verified personnel's compliance of the Business Code of Ethics that is currently in force within the Company, the existence of adequate processes for update it and its diffusion to the employees, as well as the application of sanctions in those cases where violations were detected.

We went over the complaints recorded in the Company's Whistle-Blowing System and followed up on their correct and timely handling.

Administrative Activities

We held regular Committee meetings with Management to stay informed of the running of the Company and of any relevant or unusual activities and events. We also met with external and internal auditors to comment on the way they were doing their work, the constraints they might have met and to facilitate any private communication they might wish to have with the Committee.

In those cases we deemed it advisable, we requested the support and opinion from independent experts. We did not know of any significant non-compliance with operating policies, internal control system or accounting recording policies.

We held executive meetings that were solely attended by Committee members. In the course of such meetings, agreements and recommendations for Management were established.

The Audit Committee Chairman submitted quarterly reports to the Board of Directors, on the activities carried out.

We reviewed the Audit Committee Charter and made the amendments that we deemed pertinent in order to maintaining it updated, subjecting them to the Board of Directors for their approval.

We verified that the financial expert of the Committee meets the educational background and experience requirements to be considered such and that each Committee Member meets the independence requirements set forth in the related regulations established.

The work performed was duly documented in the minutes prepared for each meeting. Such minutes were properly reviewed and approved by Committee members.

We carried out our annual performance self-assessment and submitted the results to the Chairman of the Board of Directors.

Sincerely,



Alexis E. Rovzar de la Torre
CHAIRMAN OF THE AUDIT COMMITTEE

February 23, 2011



Independent Auditor's Report

The Board of Directors and Stockholders of Fomento Económico Mexicano, S.A.B. de C.V.

We have audited the accompanying consolidated balance sheets of Fomento Económico Mexicano, S.A.B. de C.V. and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of Heineken N. V. (a corporation in which the Company has a 9.24% interest) which is majority owned by Heineken Holdings N.V. (a corporation in which the Company has a 14.94% interest) (collectively "Heineken"), prepared under International Financial Reporting Standards as adopted by the European Union (IFRS), have been audited by other auditors whose report dated February 15, 2011 has been furnished to us, and our opinion on the consolidated financial statements, insofar as it relates to the amounts included for Heineken, is based on the report of the other auditors. In the consolidated financial statements, the Company's investment in Heineken is stated at Ps. 66,478 million at December 31, 2010 and the Company's equity in the net income of Heineken is stated at Ps. 3,319 million for the eight month period from April 30 to December 31, 2010.

We conducted our audits in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and are prepared in conformity with Mexican Financial Reporting Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation (including the Company's conversion of the financial statements of Heineken to Mexican Financial Reporting Standards as of December 31, 2010 and for the eight month period from April 30 to December 31, 2010). We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Fomento Económico Mexicano, S.A.B. de C.V. and subsidiaries at December 31, 2010 and 2009, and the consolidated results of their operations, changes in stockholders' equity and consolidated cash flows, for each of the three years in the period ended December 31, 2010, in conformity with Mexican Financial Reporting Standards.

As disclosed in Note 3 to the accompanying consolidated financial statements, among other Mexican Financial Reporting Standards ("MFRS"), the Company adopted MFRS B-8 *Consolidated and Combined Financial Statements* during 2009.

Mancera, S.C.
A Member Practice of
Ernst & Young Global

C.P.C. Víctor Luís Soulé García
Monterrey, N.L., México
March 18, 2011

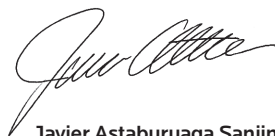
Consolidated Balance Sheets

At December 31, 2010 and 2009. Amounts expressed in millions of U.S. dollars (\$) and in millions of Mexican pesos (Ps.).

	Note	2010		2009	
ASSETS					
Current Assets:					
Cash and cash equivalents	5 B	\$ 2,188	Ps. 27,097	Ps.	14,508
Marketable securities	5 B	5	66		2,113
Accounts receivable	7	623	7,702		6,891
Inventories	8	924	11,447		9,995
Recoverable taxes		343	4,243		3,491
Other current assets	9	73	905		1,265
Current assets of discontinued operations	2	-	-		13,450
Total current assets		4,156	51,460		51,713
Investments in shares	10	5,556	68,793		2,208
Property, plant and equipment	11	3,219	39,856		38,369
Bottles and cases		184	2,280		1,914
Intangible assets	12	4,227	52,340		51,992
Deferred tax asset	24 D	28	346		1,527
Other assets	13	686	8,503		19,365
Non current assets of discontinued operations	2	-	-		58,818
TOTAL ASSETS		18,056	223,578		225,906
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current Liabilities:					
Bank loans and notes payable	18	127	1,578		3,816
Current portion of long-term debt	18	139	1,725		4,723
Interest payable		13	165		103
Suppliers		1,410	17,458		16,311
Accounts payable		434	5,375		6,305
Taxes payable		176	2,180		4,038
Other current liabilities	25 A	165	2,035		1,922
Current liabilities of discontinued operations	2	-	-		10,883
Total current liabilities		2,464	30,516		48,101
Long-Term Liabilities:					
Bank loans and notes payable	18	1,793	22,203		21,260
Labor liabilities	16 B	152	1,883		1,776
Deferred tax liability	24 D	853	10,567		867
Contingencies and other liabilities	25 B	437	5,396		5,857
Non current liabilities of discontinued operations	2	-	-		32,216
Total long-term liabilities		3,235	40,049		61,976
Total liabilities		5,699	70,565		110,077
Stockholders' Equity:					
Noncontrolling interest in consolidated subsidiaries	21	2,880	35,665		34,192
Controlling interest:					
Capital stock		432	5,348		5,348
Additional paid-in capital		1,660	20,558		20,548
Retained earnings from prior years		4,122	51,045		43,835
Net income		3,251	40,251		9,908
Cumulative other comprehensive income	5 W	12	146		1,998
Controlling interest		9,477	117,348		81,637
Total stockholders' equity		12,357	153,013		115,829
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		\$ 18,056	Ps. 223,578	Ps.	225,906



José Antonio Fernández Carbajal
CHIEF EXECUTIVE OFFICER



Javier Astaburuaga Sanjines
CHIEF FINANCIAL OFFICER

The accompanying notes are an integral part of these consolidated balance sheets.
Monterrey, N.L., México.

Consolidated Income Statements

For the years ended December 31, 2010, 2009 and 2008. Amounts expressed in millions of U.S. dollars (\$) and in millions of Mexican pesos (Ps.), except for data per share.

	2010		2009		2008			
Net sales	\$	13,598	Ps.	168,376	Ps.	158,503	Ps.	132,260
Other operating revenues		107		1,326		1,748		1,548
Total revenues		13,705		169,702		160,251		133,808
Cost of sales		7,974		98,732		92,313		77,990
Gross profit		5,731		70,970		67,938		55,818
Operating expenses:								
Administrative		627		7,766		7,835		6,292
Selling		3,285		40,675		38,973		32,177
		3,912		48,441		46,808		38,469
Income from operations		1,819		22,529		21,130		17,349
Other expenses, net (Note 19)		(23)		(282)		(1,877)		(2,019)
Comprehensive financing result:								
Interest expense		(264)		(3,265)		(4,011)		(3,823)
Interest income		89		1,104		1,205		865
Foreign exchange loss, net		(50)		(614)		(431)		(1,431)
Gain on monetary position, net		34		410		486		657
Market value gain (loss) on ineffective portion of derivative financial instruments		17		212		124		(950)
		(174)		(2,153)		(2,627)		(4,682)
Equity method of associates (Note 10)		286		3,538		132		90
Income before income taxes		1,908		23,632		16,758		10,738
Income taxes (Note 24 E)		457		5,671		4,959		3,108
Consolidated net income before discontinued operations		1,451		17,961		11,799		7,630
Income from the exchange of shares with Heineken, net of taxes (Note 2)		2,150		26,623		-		-
Net income from discontinued operations (Note 2)		57		706		3,283		1,648
Consolidated net income	\$	3,658	Ps.	45,290	Ps.	15,082	Ps.	9,278
Net controlling interest income		3,251		40,251		9,908		6,708
Net noncontrolling interest income		407		5,039		5,174		2,570
Consolidated net income	\$	3,658	Ps.	45,290	Ps.	15,082	Ps.	9,278
Consolidated net income before discontinued operations ⁽¹⁾ :								
Per series "B" share	\$	0.18	Ps.	2.22	Ps.	0.59	Ps.	0.38
Per series "D" share		0.22		2.78		0.73		0.47
Net income from discontinued operations ⁽¹⁾ :								
Per series "B" share		- ⁽²⁾		0.03		0.16		0.08
Per series "D" share		- ⁽²⁾		0.04		0.20		0.10
Net controlling interest income ⁽¹⁾ :								
Per series "B" share		0.16		2.01		0.49		0.33
Per series "D" share		0.20		2.51		0.62		0.42

The accompanying notes are an integral part of these consolidated income statements.

⁽¹⁾ U.S. dollars and Mexican pesos, see Note 23 for number of shares.

⁽²⁾ The amount rounds to less than \$0.01.

Consolidated Statements of Cash Flows

For the years ended December 31, 2010, 2009 and 2008. Amounts expressed in millions of U.S. dollars (\$) and in millions of Mexican pesos (Ps.).

	2010		2009		2008			
Cash Flow Generated by (Used in) Operating Activities:								
Income before income taxes from continuing operations	\$	1,908	Ps.	23,632	Ps.	16,758	Ps.	10,738
Non-cash operating expenses		31		386		664		295
Other adjustments regarding operating activities		44		545		773		1,199
Adjustments regarding investing activities:								
Depreciation		366		4,527		4,391		3,762
Amortization		79		975		798		689
Loss on sale of long-lived assets		17		215		177		166
Gain on sale of shares		(125)		(1,554)		(35)		(85)
Write-off of long-lived assets		1		9		129		378
Interest income		(89)		(1,104)		(1,205)		(865)
Equity method of associates		(286)		(3,538)		(132)		(90)
Adjustments regarding financing activities:								
Interest expenses		264		3,265		4,011		3,823
Foreign exchange loss, net		50		614		431		1,431
Gain on monetary position, net		(34)		(410)		(486)		(657)
Market value (gain) loss on ineffective portion of derivative financial instruments		(17)		(212)		(124)		950
		2,209		27,350		26,150		21,734
Accounts receivable and other current assets		(116)		(1,431)		(535)		(294)
Inventories		(108)		(1,340)		(844)		(1,567)
Suppliers and other accounts payable		66		823		2,373		1,469
Other liabilities		(20)		(249)		(267)		(94)
Labor liabilities		(43)		(530)		(302)		(230)
Income taxes paid		(551)		(6,821)		(3,831)		(4,995)
Net cash flows provided by continuing operations		1,437		17,802		22,744		16,023
Net cash flows provided by discontinued operations		91		1,127		8,181		6,959
Net cash flows provided by operating activities		1,528		18,929		30,925		22,982
Cash Flow Generated by (Used in) Investing Activities:								
BRISA acquisition, net of cash acquired (see Note 6)		-		-		(717)		-
REMIL acquisition, net of cash acquired (see Note 6)		-		-		-		(3,633)
Other acquisitions, net of cash acquired		-		-		-		(206)
Purchase of marketable securities		(5)		(66)		(2,001)		-
Proceeds from marketable securities		89		1,108		-		-
Recovery of long-term financing receivables with FEMSA Cerveza (see Note 13)		986		12,209		-		-
Net effects of FEMSA Cerveza exchange		71		876		-		-
Other disposals		157		1,949		-		-
Interest received		89		1,104		1,205		865
Dividends received		105		1,304		-		-
Long-lived assets acquisition		(677)		(8,386)		(6,636)		(7,153)
Long-lived assets sale		50		624		679		511
Other assets		(212)		(2,630)		(1,747)		(597)
Bottles and cases		(82)		(1,022)		(812)		(700)
Intangible assets		(72)		(892)		(1,347)		(354)
Net cash flows used in investment activities by continuing operations		499		6,178		(11,376)		(11,267)
Net cash flows used in investment activities by discontinued operations		-		(4)		(3,389)		(6,007)
Net cash flows used in investing activities		499		6,174		(14,765)		(17,274)
Net cash flows available for financing activities		2,027		25,103		16,160		5,708
Cash Flow Generated by (Used in) Financing Activities:								
Bank loans obtained		728		9,016		14,107		7,505
Bank loans paid		(1,012)		(12,536)		(15,533)		(7,098)
Interest paid		(244)		(3,018)		(4,259)		(3,733)
Dividends paid		(308)		(3,813)		(2,246)		(2,058)
Acquisition of noncontrolling interest		(18)		(219)		67		(175)
Other liabilities payments		6		74		(25)		16
Net cash flows used in financing activities by continuing operations		(848)		(10,496)		(7,889)		(5,543)
Net cash flows used in financing activities by discontinued operations		(82)		(1,012)		(909)		(1,416)
Net cash flows used in financing activities		(930)		(11,508)		(8,798)		(6,959)
Net cash flow by continuing operations		1,088		13,484		3,479		(787)
Net cash flow by discontinued operations		9		111		3,883		(464)
Net cash flow		1,097		13,595		7,362		(1,251)
Translation and restatement effect on cash and cash equivalents		(81)		(1,006)		(1,173)		192
Initial cash		1,278		15,824		9,635		10,694
Initial cash of discontinued operations		(106)		(1,316)		-		-
Initial cash and cash equivalents		1,172		14,508		9,635		10,694
Ending balance		2,188		27,097		15,824		9,635
Ending balance by discontinued operations		-		-		(1,316)		(1,070)
Total ending balance of cash and cash equivalents, net	\$	2,188	Ps.	27,097	Ps.	14,508	Ps.	8,565

The accompanying notes are an integral part of this consolidated statement of cash flows.

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2010, 2009 and 2008.
Amounts expressed in millions of Mexican pesos (Ps.).

	Capital Stock		Additional Paid-in Capital	
	Ps.		Ps.	
Balances at December 31, 2007 ⁽¹⁾	5,348		20,612	
Transfer of prior year net income				
Change in accounting principles (see Note 3 I and K)				
Dividends declared and paid (see Note 22)				
Acquisitions by Coca-Cola FEMSA of noncontrolling interest (see Note 6)				(61)
Other transactions of noncontrolling interest				
Comprehensive income				
Balances at December 31, 2008	5,348		20,551	
Transfer of prior year net income				
Change in accounting principle (see Note 3 E)				
Dividends declared and paid (see Note 22)				
Acquisition by FEMSA Cerveza of noncontrolling interest				(3)
Comprehensive income				
Balances at December 31, 2009	5,348		20,548	
Transfer of prior year net income				
Dividends declared and paid (see Note 22)				
Other transactions of noncontrolling interest				10
Recycling of OCI and decreasing of noncontrolling interest due to exchange of FEMSA Cerveza (see Note 2)				
Other movements of equity method of associates, net of taxes				
Comprehensive income				
Balances at December 31, 2010	5,348		20,558	

⁽¹⁾ Amounts as of December 31, 2007 are expressed in millions of Mexican pesos as of the end of December 31, 2007 (see Note 3 I).
The accompanying notes are an integral part of these consolidated statements of changes in stockholders' equity.

Retained Earnings from Prior Years	Net Income	Cumulative Other Comprehensive Income (Loss)	Controlling Interest	Non-Controlling Interest in Consolidated Subsidiaries	Total Stockholders' Equity
Ps. 38,108	Ps. 8,511	Ps. (8,001)	Ps. 64,578	Ps. 25,075	Ps. 89,653
8,511	(8,511)		-	-	-
(6,070)		6,424	354	-	354
(1,620)			(1,620)	(445)	(2,065)
			(61)	(162)	(223)
	6,708	(1,138)	5,570	91	91
				3,515	9,085
38,929	6,708	(2,715)	68,821	28,074	96,895
6,708	(6,708)		-	-	-
(182)			(182)	-	(182)
(1,620)			(1,620)	(635)	(2,255)
			(3)	19	16
	9,908	4,713	14,621	6,734	21,355
43,835	9,908	1,998	81,637	34,192	115,829
9,908	(9,908)		-	-	-
(2,600)			(2,600)	(1,213)	(3,813)
			10	(283)	(273)
	525	(525)	-	(1,221)	(1,221)
(98)			(98)	-	(98)
	39,726	(1,327)	38,399	4,190	42,589
Ps. 51,045	Ps. 40,251	Ps. 146	Ps. 117,348	Ps. 35,665	Ps. 153,013

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010, 2009 and 2008. Amounts expressed in millions of U.S. dollars (\$) and in millions of Mexican pesos (Ps.).

Note 1. Activities of the Company.

Fomento Económico Mexicano, S.A.B. de C.V. ("FEMSA") is a Mexican holding company. The principal activities of FEMSA and its subsidiaries (the "Company"), as an economic unit, are carried out by operating subsidiaries and grouped under direct and indirect holding company subsidiaries (the "Subholding Companies") of FEMSA.

On February 1, 2010, The Company and The Coca-Cola Company signed a second amendment to the shareholders agreement that confirms contractually the capability of the Company to govern the operating and financial policies of Coca-Cola FEMSA, to exercise control over the operations in the ordinary course of business and grants protective rights to The Coca-Cola Company on such items as mergers, acquisitions or sales of any line business. These amendments were signed without transfer of any consideration. The percentage of voting interest of the Company in Coca-Cola FEMSA remains the same after the signing of this amendment.

On April 30, 2010, FEMSA exchanged 100% of its stake in FEMSA Cerveza, the beer business unit, for a 20% economic interest in Heineken Group ("Heineken"). This strategic transaction is broadly described in Note 2, as well as the related impacts.

The following is a description of the activities of the Company as of the date of the issuance of these consolidated financial statements, together with the ownership interest in each Subholding Company:

Subholding Company	% Ownership	Activities
Coca-Cola FEMSA, S.A.B. de C.V. and subsidiaries ("Coca-Cola FEMSA")	53.7% ⁽¹⁾ (63.0% of the voting shares)	Production, distribution and marketing of certain Coca-Cola trademark beverages in Mexico, Guatemala, Nicaragua, Costa Rica, Panama, Colombia, Venezuela, Brazil and Argentina. The Coca-Cola Company indirectly owns 31.6% of Coca-Cola FEMSA's capital stock. In addition, shares representing 14.7% of Coca-Cola FEMSA's capital stock are traded on the Bolsa Mexicana de Valores (Mexican Stock Exchange "BMV") and The New York Stock Exchange, Inc. ("NYSE").
FEMSA Comercio, S.A. de C.V. and subsidiaries ("FEMSA Comercio")	100%	Operation of a chain of convenience stores in Mexico under the trade name "OXXO."
CB Equity, LLP ("CB Equity")	100%	This Company holds Heineken N.V. and Heineken Holding N.V. shares, acquired as part of the exchange of FEMSA Cerveza on April 2010 (see Note 2).
Other companies	100%	Companies engaged in the production and distribution of coolers, commercial refrigeration equipment and plastic cases; as well as transportation logistics and maintenance services to FEMSA's subsidiaries and to third parties.

⁽¹⁾ The Company controls operating and financial policies.

Note 2. Exchange of FEMSA Cerveza Business.

On April 30, 2010 FEMSA exchanged 100% of FEMSA Cerveza, the beer business unit, for 20% economic interest in Heineken. Under the terms of the agreement, FEMSA exchanged its beer business and received 43,018,320 shares of Heineken Holding N.V., and 72,182,201 shares of Heineken N.V., of which 29,172,502 will be delivered pursuant to an allotted share delivery instrument ("ASDI"). Those shares are considered in substance common stock due to its similarity to common stock, such as rights to receive the same dividends as any other share. As of December 31, 2010, 10,240,553 of Heineken shares have been delivered to the Company. It is expected that the remaining allotted shares will be acquired by Heineken in the secondary market for delivery to FEMSA over a term not to exceed five years.

The total transaction was valued approximately at \$7,347, net of assumed debt of \$2,100, based on shares closing prices of € 35.18 for Heineken N.V., and € 30.82 for Heineken Holding N.V. on April 30, 2010. The Company recorded a net gain after taxes that amounted to Ps. 26,623 which is the difference between the fair value of the consideration received and the book value of FEMSA Cerveza as of April 30, 2010; a deferred income tax of Ps. 10,379 (see "Income from the exchange of shares with Heineken, net of taxes" in the consolidated income statements and Note 24 D), and recycling Ps. 525 (see consolidated statements of changes in stockholders' equity) from other comprehensive income which are integrated of Ps. 1,418 accounted as a gain of cumulative translation adjustment and Ps. 893 as a mark to market loss on derivatives in cumulative comprehensive loss. Additionally, the Company maintained a loss contingency of Ps. 560, regarding the indemnification accorded with Heineken over FEMSA Cerveza prior tax contingencies (see Note 25 B).

As of the date of the exchange, the Company lost control over FEMSA Cerveza and stopped consolidating its financial information and accounted for the 20% economic interest of Heineken acquired by the purchase method as established in NIF C-7 Investments in associates and other permanent investments. Subsequently, this investment in shares has been accounted for by the equity method, because of the Company's significant influence.

After purchase price adjustments, the Company identified intangible assets of indefinite and finite life brands and goodwill that amounted to EUR 14,074 million and EUR 1,200 million respectively and increased certain operating assets and liabilities to fair value, which are presented as part of the investment in shares of Heineken within the consolidated financial statement.

The fair values of the proportional assets acquired and liabilities assumed as part of this transaction are as follows:

(in millions of EUR)	Heineken Figures at Fair Value	Fair Value of Proportional Net Assets Acquired by FEMSA (20%)
ASSETS		
Property, plant & equipment	8,506	1,701
Intangible assets	15,274	3,055
Other assets	4,025	805
Total non-current assets	27,805	5,561
Inventories	1,579	316
Trade and other receivable	3,240	648
Other assets	1,000	200
Total current assets	5,819	1,164
Total assets	33,624	6,725
LIABILITIES		
Loans and borrowings	9,551	1,910
Employee benefits	1,335	267
Deferred tax liabilities	2,437	487
Other non-current liabilities	736	147
Total non-current liabilities	14,059	2,811
Trade and other payables	5,019	1,004
Other current liabilities	1,221	244
Total current liabilities	6,240	1,248
Total liabilities	20,299	4,059
Net assets acquired	13,325	2,666

Summarized consolidated balance sheets and income statements of FEMSA Cerveza are presented as follows as of:

Consolidated Balance Sheets	April 30, 2010	December 31, 2009
Current assets	Ps. 13,770	Ps. 13,450
Property, plant and equipment	26,356	26,669
Intangible assets and goodwill	18,828	19,190
Other assets	11,457	12,959
Total assets	70,411	72,268
Current liabilities	14,039	10,883
Long term liabilities	27,586	32,216
Total liabilities	41,625	43,099
Total stockholders' equity:		
Controlling interest	27,417	27,950
Noncontrolling interest in consolidated subsidiaries	1,369	1,219
Total stockholders' equity	28,786	29,169
Total liabilities and stockholders' equity	Ps. 70,411	Ps. 72,268

Consolidated Income Statements	April 30, 2010	December 31, 2009	December 31, 2008
Total revenues	Ps. 14,490	Ps. 46,329	Ps. 42,276
Income from operations	1,342	5,887	5,286
Income before income tax	749	2,231	2,748
Income tax	43	(1,052)	1,100
Consolidated net income	706	3,283	1,648
Less: Net income attributable to the noncontrolling interest	48	787	(243)
Net income attributable to the controlling interest	Ps. 658	Ps. 2,496	Ps. 1,891

As a result of the transaction described above FEMSA Cerveza operations for the period ended on April 30, 2010, December 31, 2009 and 2008 are presented within the consolidated income statement, net of taxes in a single line as a discontinued operations. Prior years consolidated financial statements and the accompanying notes have been reformulated in order to present FEMSA Cerveza as discontinued operations for comparable purposes.

Consolidated statement of balance sheet and cash flows of December 31, 2009 and 2008 presents FEMSA Cerveza as a discontinued operations. Intercompany transactions between the Company and FEMSA Cerveza are reclassified in order to conform with consolidated financial statements as of December 31, 2010.

Note 3. Basis of Presentation.

The accompanying consolidated financial statements were prepared in accordance with Normas de Información Financiera (Mexican Financial Reporting Standards or "Mexican FRS"), individually referred to as "NIFs," and are stated in millions of Mexican pesos ("Ps."). The translation of Mexican pesos into U.S. dollars ("\$") is included solely for the convenience of the reader, using the noon buying exchange rate published by the Federal Reserve Bank of New York of 12.3825 pesos per U.S. dollar as of December 30, 2010.

The consolidated financial statements include the financial statements of FEMSA and those companies in which it exercises control. All intercompany account balances and transactions have been eliminated in consolidation.

The Company classifies its costs and expenses by function in the consolidated income statement, in order to conform to the industry's practices where the Company operates. The income from operations line in the income statement is the result of subtracting cost of sales and operating expenses from total revenues and it has been included for a better understanding of the Company's financial and economic performance.

Figures presented as of December 31, 2007, have been restated and translated as of December 31, 2007, which is the date of the last comprehensive recognition of the effects of the inflation in the financial information in inflationary and non-inflationary economic environments. Beginning on January 1, 2008 and according to NIF B-10 "Effects of Inflation," only inflationary economic environments have to recognize inflation effects. As described in Note 5 A), since 2008 the Company has operated in a non-inflationary economic environment in Mexico. Figures as of December 31, 2009, 2008 and 2007 are presented as they were reported in last year; as a result figures have not been comprehensively restated as required by NIF B-10 for reporting entities that operate in non-inflationary economic environments.

The results of operations of businesses acquired by the Company are included in the consolidated financial statements since the date of acquisition. As a result of certain acquisitions (see Note 6), the consolidated financial statements are not comparable to the figures presented in prior years.

On February 23, 2011 the Board of Directors of FEMSA unanimously approved the issuance of the Company's consolidated financial statements and subsequent events will be considered through that date. The accompanying consolidated financial statements and their accompanying notes will be presented at the FEMSA's stockholders meeting on March 25, 2011. FEMSA's stockholders have authority to approve or modify the Company's consolidated financial statements.

On January 1, 2010, 2009, and 2008 several Mexican FRS came into effect. Such changes and their application are described as follows:

a) NIF C-1 "Cash and Cash Equivalents"

In 2010, the Company adopted NIF C-1 "Cash and Cash Equivalents", which superseded Bulletin C-1 "Cash". NIF C-1 establishes that cash shall be measured at nominal value, and cash equivalents shall be measured at acquisition cost for initial recognition. Subsequently, cash equivalents should be measured according to its designation: precious metals shall be measured at fair value, foreign currencies shall be translated to the reporting currency applying the closing exchange rate, other cash equivalents denominated in a different measure of exchange shall be recognized to the extent provided for this purpose at the closing date of financial statements, and available-for-sale investments shall be presented at fair value. Cash and cash equivalents will be presented in the first line of assets, including restricted cash. This pronouncement was applied retrospectively, causing an increase in the cash balances reported as a result of the treatment of presentation of restricted cash, which was reclassified from "other current assets" for the amount of Ps. 394 and Ps. 214 at December 31, 2010 and 2009, respectively (see Note 5 B).

b) INIF 19, "Accounting Change as a Result of IFRS Adoption":

On September 30, 2010, INIF 19 "Accounting change as a result of IFRS adoption" was issued. INIF 19 states disclosure requirements for: (a) financial statements based on Mexican FRS that were issued before IFRS adoption and (b) financial statements on Mexican FRS that are issued during IFRS adoption process. Either A) or B) will result in additional disclosures regarding IFRS adoption, such as date of adoption, significant financial impact, significant changes in accounting policies, among others.

The Company will adopt IFRS in 2012. As a result of this process, the Company estimates decreases of Ps. 15,614, Ps. 5,011 and Ps. 10,603 in total assets, total liabilities and stockholders equity (unaudited figures), respectively, due to conversion of financial information from Mexican FRS to IFRS.

c) NIF B-7, "Business Combinations":

In 2009, the Company adopted NIF B-7 "Business Combinations," which is an amendment to the previous Bulletin B-7 "Business Acquisitions." NIF B-7 establishes general rules for recognizing the fair value of net assets of businesses acquired as well as the fair value of noncontrolling interests, at the purchase date. This statement differs from the previous Bulletin B-7 in the following: a) To recognize all assets and liabilities acquired at their fair value, including the noncontrolling interest based on the acquirer accounting policies, b) acquisition-related costs and restructuring expenses should not be part of the purchase price, and c) changes to tax amounts recorded in acquisitions must be recognized as part of the income tax provision. This pronouncement was applied prospectively to business combinations for which the acquisition date is on or after January 1, 2009.

d) NIF C-7, "Investments in Associates and Other Permanent Investments":

NIF C-7 "Investments in Associates and Other Permanent Investments," establishes general rules of accounting recognition for the investments in associated and other permanent investments not jointly or fully controlled or that are significantly influenced by an entity. This pronouncement includes guidance to determine the existence of significant influence. Previous Bulletin B-8 "Consolidated and combined financial statements and assessment of permanent share investments," defined that permanent share investments were accounted for by the equity method if the entity held 10% or more of its outstanding shares. NIF C-7 establishes that permanent share investments should be accounted for by equity method if: a) an entity holds 10% or more of a public entity, b) an entity holds 25% or more of a non-public company, or c) an entity has significant influence in its investment as defined in NIF C-7. The Company adopted NIF C-7 on January 1, 2009, and its adoption did not have a significant impact in its consolidated financial results.

e) NIF C-8, "Intangible Assets":

In 2009, the Company adopted NIF C-8 "Intangible Assets" which is similar to previous Bulletin C-8 "Intangible Assets." NIF C-8, establishes the rules of valuation, presentation and disclosures for the initial and subsequent recognition of intangible assets that are acquired either individually, through acquisition of an entity, or generated internally in the course of the entity's operations. This NIF considers intangible assets as non-monetary items, broadens the criteria of identification to include not only if they are separable (asset could be sold, transferred or used by the entity) but also whether they come from contractual or legal rights. NIF C-8 establishes that preoperative costs capitalized before this standard went into effect should have intangible assets characteristics, otherwise preoperative costs must be expensed as incurred. The impact of adopting NIF C-8 was a Ps. 182, net of deferred income tax, regarding prior years preoperative costs that did not have intangible asset characteristics, charged to retained earnings in the consolidated financial statements and is presented as a change in accounting principle in the consolidated statements of changes in stockholders' equity.

f) NIF D-8, "Share-Based Payments":

In 2009, the Company adopted NIF D-8 "Share-Based Payments" which establishes the recognition of share-based payments. When an entity purchases goods or pays for services with equity instruments, the NIF requires the entity to recognize those goods and services at fair value and the corresponding increase in equity. If the entity cannot determine the fair value of goods and services, it should determine it using an indirect method, based on fair value of the equity instruments. This pronouncement substitutes for the supplementary use of IFRS 2 "Share-Based Payments." The adoption of NIF D-8 did not impact the Company's financial statements.

g) NIF B-8, "Consolidated and Combined Financial Statements":

NIF B-8 "Consolidated and Combined Financial Statements," issued in 2008 amends Bulletin B-8 "Consolidated and Combined Financial Statements and Assessment of Permanent Share Investments." Prior Bulletin B-8 based its consolidation principle mainly on ownership of the majority voting capital stock. NIF B-8 differs from previous Bulletin B-8 in the following: a) defines control as the power to govern financial and operating policies, b) establishes that there are other facts, such as contractual agreements that have to be considered to determine if an entity exercises control or not, c) defines "Specific-Purpose Entity" ("SPE"), as those entities that are created to achieve a specific purpose and are considered within the scope of this pronouncement, d) establishes new terms as "controlling interest" instead of "majority interest" and "noncontrolling interest" instead "minority interest," and e) confirms that noncontrolling interest must be assessed at fair value at the subsidiary acquisition date. NIF B-8 shall be applied prospectively, beginning on January 1, 2009. The amendment to the shareholders agreement described in Note 1, allowed the Company to continue to consolidate Coca-Cola FEMSA for Mexican FRS purposes during 2009.

h) NIF B-2, "Statement of Cash Flows":

In 2008, the Company adopted NIF B-2 "Statement of Cash Flows." As established in NIF B-2, the Consolidated Statement of Cash Flows is presented as part of these financial statements for the years ended December 31, 2010, 2009 and 2008. The adoption of NIF B-2 also resulted in several complementary disclosures not previously required.

i) NIF B-10, "Effects of Inflation":

In 2008, the Company adopted NIF B-10 "Effects of Inflation." Before 2008, the Company restated prior year financial statements to reflect the impact of current period inflation for comparability purposes.

NIF B-10 establishes two types of inflationary environments: a) Inflationary Economic Environment; this is when cumulative inflation of the three preceding years is 26% or more. In such case, inflation effects should be recognized in the financial statements by applying the integral method as described in NIF B-10; the recognized restatement effects for inflationary economic environments is made starting in the period that the entity becomes inflationary; and b) Non-Inflationary Economic Environment; this is when cumulative inflation of the three preceding years is less than 26%. In such case, no inflationary effects should be recognized in the financial statements, keeping the recognized restatement effects until the last period in which the inflationary accounting was applied.

In order to reverse the effects of inflationary accounting, NIF B-10 establishes that the results of holding non-monetary assets (RETANM) of previous periods should be reclassified in retained earnings. On January 1, 2008, the amount of RETANM reclassified in retained earnings was Ps. 6,070 (see Consolidated Statements of Changes in Stockholders' Equity).

Through December 31, 2007, the Company accounted for inventories at replacement cost. As a result of NIF B-10 adoption, beginning in 2008, the Company carries out the inventories valuation based on valuation methods described in Bulletin C-4 "Inventories." Inventories from Subholding Companies that operate in inflationary environments are restated using inflation factors. The change in accounting for inventories impacted the consolidated income statement, through an increase to cost of sales of Ps. 350 for the year ended on December 31, 2008.

In addition, NIF B-10 eliminates the restatement of imported equipment by applying the inflation factors and exchange rate of the country where the asset was purchased. Beginning in 2008, these assets are recorded using the exchange rate of the acquisition date. Subholding Companies that operate in inflationary environments should restate imported equipment using the inflation factors of the country where the asset is acquired. The change in this methodology did not significantly impact the consolidated financial statements of the Company.

j) NIF B-15, "Translation of Foreign Currencies":

NIF B-15 went into effect in 2008 and incorporates the concepts of recording currency, functional currency and reporting currency, and establishes the methodology to translate financial information of a foreign entity, based on those terms. Additionally, this rule is aligned with NIF B-10, which defines translation procedures of financial information from subsidiaries that operate in inflationary and non-inflationary environments. Prior to the application of this rule, translation of financial information from foreign subsidiaries was according to inflationary environments methodology. The adoption of this pronouncement is prospective and did not impact the consolidated financial statements of the Company (see Note 4).

k) NIF D-3, "Employee Benefits":

The Company adopted NIF D-3 in 2008, which eliminates the recognition of the additional liability which resulted from the difference between obligations for accumulated benefits and the net projected liability. On January 1, 2008, the additional liability derecognized amounted to Ps. 868 from which Ps.447 corresponds to the intangible asset and Ps. 251 to the controlling cumulative other comprehensive income, net from its deferred tax of Ps. 170. These figures do not match to those presented previously due to discontinued operations.

NIF D-3 establishes a maximum five-year period to amortize the initial balance of the labor costs of past services of pension and retirement plans and the same amortization period for the labor cost of past service of severance indemnities, previously defined by Bulletin D-3 "Labor Liabilities" as unrecognized transition obligation and unrecognized prior service costs.

For the years ended December 31, 2010, 2009 and 2008, labor costs of past services amounted to Ps. 81, Ps. 81 and Ps. 99, respectively; and were recorded within the operating income (see Note 16).

Actuarial gains and losses of severance indemnities are registered in the operating income of the year they were generated and the balance of unrecognized actuarial gains and losses as of January 1, 2008 was recorded in other expenses (see Note 19) and amounted to Ps. 163.

Note 4. Foreign Subsidiary Incorporation.

The accounting records of foreign subsidiaries are maintained in local currency and in accordance with local accounting principles of each country. For incorporation into the Company's consolidated financial statements, each foreign subsidiary's individual financial statements are adjusted to Mexican FRS, and translated into Mexican pesos, as described as follows:

- For inflationary economic environments, the inflation effects of the origin country are recognized, and subsequently translated into Mexican pesos using the year-end exchange rate for the balance sheets and income statements; and
- For non-inflationary economic environments, assets and liabilities are translated into Mexican pesos using the period-end exchange rate, stockholders' equity is translated into Mexican pesos using the historical exchange rate, and the income statement is translated using the average exchange rate of each month.

Country	Functional / Recording Currency	Local Currencies to Mexican Pesos								
		2010	Average Exchange Rate for			Exchange Rate as of December 31				
			2009	2008	2010	2009	2008			
Mexico	Mexican peso	Ps. 1.00	Ps. 1.00	Ps. 1.00	Ps. 1.00	Ps. 1.00	Ps. 1.00	Ps. 1.00	Ps. 1.00	Ps. 1.00
Guatemala	Quetzal	1.57	1.66	1.47	1.54	1.56	1.74			
Costa Rica	Colon	0.02	0.02	0.02	0.02	0.02	0.02			
Panama	U.S. dollar	12.64	13.52	11.09	12.36	13.06	13.54			
Colombia	Colombian peso	0.01	0.01	0.01	0.01	0.01	0.01			
Nicaragua	Cordoba	0.59	0.67	0.57	0.56	0.63	0.68			
Argentina	Argentine peso	3.23	3.63	3.50	3.11	3.44	3.92			
Venezuela ⁽¹⁾	Bolivar	2.97	6.29	5.20	2.87	6.07	6.30			
Brazil	Reai	7.18	6.83	6.11	7.42	7.50	5.79			
Euro Zone	Euro	16.74	18.80	16.20	16.41	18.81	18.84			

⁽¹⁾ Equals 4.30 bolivars per one U.S. dollar in 2010 and 2.15 bolivars per one U.S. Dollar for 2009 and 2008, translated to Mexican pesos applying the average exchange rate or period-end rate.

The variations in the net investment in foreign subsidiaries generated by exchange rate fluctuation are included in the cumulative translation adjustment, which is recorded in stockholders' equity as part of cumulative other comprehensive income (loss).

Beginning in 2010, the government of Venezuela announced the devaluation of the bolivar (Bs). The official exchange rate of 2.150 Bs to the dollar, in effect since 2005, was replaced on January 8, 2010, with a dual-rate regime, which allows two official exchange rates, one for essential products Bs 2.60 per U.S. dollar and other non-essential products of 4.30 Bs per U.S. dollar. According to this, the exchange rate used by the company to convert the information of the operation for this country changed Bs 2.15 to 4.30 per U.S. dollar in 2010. As a result of this devaluation, the balance sheet of the Coca-Cola FEMSA Venezuelan subsidiary reflected a reduction in shareholder's equity of Ps. 3,700 which was accounted for at the time of the devaluation in January 2010. The Company has operated under exchanges controls in Venezuela since 2003 that affect its ability to remit dividends abroad or make payments other than in local currencies and that may increase the real price to us of raw materials purchased in local currency.

During December 2010, authorities of the Venezuelan Government announced the unification of their two fixed U.S. dollar exchange rates to Bs. 4.30 per U.S. dollar, effective January 1, 2011. As a result of this change, the balance sheet of the Coca-Cola FEMSA's Venezuelan subsidiary did not have an impact in shareholders' equity since transactions performed by this subsidiary were already using the Bs. 4.30 exchange rate.

Intercompany financing balances with foreign subsidiaries are considered as long-term investments, since there is no plan to pay such financing in the foreseeable future. Monetary position and exchange rate fluctuation regarding this financing are recorded in equity as part of cumulative translation adjustment, in cumulative other comprehensive income (loss).

The translation of assets and liabilities denominated in foreign currencies into Mexican pesos is for consolidation purposes and does not indicate that the Company could realize or settle the reported value of those assets and liabilities in Mexican pesos. Additionally, this does not indicate that the Company could return or distribute the reported Mexican peso value equity to its shareholders.

Note 5. Significant Accounting Policies.

The Company's accounting policies are in accordance with Mexican FRS, which require that the Company's management make certain estimates and use certain assumptions to determine the valuation of various items included in the consolidated financial statements. The Company's management believes that the estimates and assumptions used were appropriate as of the date of these consolidated financial statements. However actual results are subject to future events and uncertainties, which could materially impact the Company's actual performance.

The significant accounting policies are as follows:

a) Recognition of the Effects of Inflation in Countries with Inflationary Economic Environment:

The Company recognizes the effects of inflation in the financial information of its subsidiaries that operate in inflationary economic environments (when cumulative inflation of the three preceding years is 26% or more), through the integral method, which consists of (see Note 3 I):

- Using inflation factors to restate non-monetary assets such as inventories, investments in process, property, plant and equipment, intangible assets, including related costs and expenses when such assets are consumed or depreciated;
- Applying the appropriate inflation factors to restate capital stock, additional paid-in capital, retained earnings and the cumulative other comprehensive income/loss by the necessary amount to maintain the purchasing power equivalent in Mexican pesos on the dates such capital was contributed or income was generated up to the date these consolidated financial statements are presented; and
- Including in the Comprehensive Financing Result the gain or loss on monetary position (see Note 5 U).

The Company restates the financial information of its subsidiaries that operate in inflationary economic environments using the consumer price index of each country.

The operations of the Company are classified as follows considering the cumulative inflation of the three preceding years of 2010. The following classification was also applied for the 2009 period:

	2010	Inflation Rate 2009	Cumulative Inflation 2008	Cumulative Inflation 2009-2007	Type of Economy
Mexico	4.4%	3.6%	6.5%	14.5%	Non-Inflationary
Guatemala	5.4%	(0.3)%	9.4%	18.6%	Non-Inflationary
Colombia	3.2%	2.0%	7.7%	16.1%	Non-Inflationary
Brazil	5.9%	4.1%	6.5%	16.6%	Non-Inflationary
Panama	4.9%	1.9%	6.8%	15.7%	Non-Inflationary
Euro Zone	2.2%	0.9%	1.6%	5.7%	Non-Inflationary
Argentina ⁽¹⁾	10.9%	7.7%	7.2%	25.3%	Inflationary
Venezuela	27.2%	25.1%	30.9%	100.5%	Inflationary
Nicaragua	9.2%	0.9%	13.8%	34.2%	Inflationary
Costa Rica	5.8%	4.0%	13.9%	31.3%	Inflationary

⁽¹⁾ According to The National Institute of Statistics and Censuses of Argentina, the expected inflation rate for the following years would increase. As a result, the Company still qualifies Argentina as a inflationary economy according to NIF B-10 "Effects of Inflation".

b) Cash and Cash Equivalents and Marketable Securities:*Cash and Cash Equivalents*

Cash is measured at nominal value and consists of non-interest bearing bank deposits and restricted cash. Beginning in 2010 restricted cash is presented within cash; prior years have been reclassified from other current assets to cash for comparable purposes. Cash equivalents consisting principally of short-term bank deposits and fixed-rate investments with original maturities of three months or less are recorded at its acquisition cost plus interest income not yet received, which is similar to listed market prices.

	2010		2009	
Mexican pesos	Ps.	11,207	Ps.	8,575
U.S. dollars		12,652		3,181
Brazilian reais		1,792		1,915
Euros		531		-
Venezuelan bolivars		460		524
Colombian pesos		213		245
Argentine pesos		153		68
Others		89		-
	Ps.	27,097	Ps.	14,508

As of December 31, 2010 and 2009, the Company has restricted cash which is pledged as collateral of accounts payable in different currencies as follows:

	2010		2009	
Venezuelan bolivars	Ps.	143	Ps.	161
Argentine pesos		2		-
Brazilian reais		249		53
	Ps.	394	Ps.	214

As of December 31, 2010 and 2009, cash equivalents amounted to Ps. 19,770 and Ps. 9,950 , respectively.

Marketable Securities

Management determines the appropriate classification of debt securities at the time of purchase and reevaluates such designation as of each balance date. Marketable securities are classified as available-for-sale. Available-for-sale securities are carried at fair value, with the unrealized gains and losses, net of tax, reported in other comprehensive income. Interest and dividends on securities classified as available-for-sale are included in investment income. The fair values of the investments are readily available based on quoted market prices. The following is a detail of available-for-sale securities.

Debt Securities		Amortized Cost		Gross Unrealized Gain		Fair Value
December 31, 2010	Ps.	66		-	Ps.	66
December 31, 2009	Ps.	2,001	Ps.	112	Ps.	2,113

c) Allowance for Doubtful Accounts:

Allowance for doubtful accounts is based on an evaluation of the aging of the receivable portfolio and the economic situation of the Company's clients, as well as the Company's historical loss rate on receivables and the economic environment in which the Company operates. The carrying value of accounts receivable approximates its fair value as of both December 31, 2010 and 2009.

d) Inventories and Cost of Sales:

The operating segments of the Company use inventory costing methodologies provided by Bulletin C-4 "Inventories" to value their inventories, such as average cost in Coca-Cola FEMSA and retail method in FEMSA Comercio. Advances to suppliers of raw materials are included in the inventory account.

Cost of sales based on average cost is determined based on the average amount of the inventories at the time of sale. Cost of sales includes expenses related to raw materials used in the production process, labor cost (wages and other benefits), depreciation of production facilities, equipment and other costs such as fuel, electricity, breakage of returnable bottles in the production process, equipment maintenance, inspection and plant transfer costs.

e) Other Current Assets:

Other current assets are comprised of payments for services that will be received over the next 12 months and the fair market value of derivative financial instruments with maturity dates of less than one year (see Note 5 V), and long-lived assets available for sale that will be sold within the following year.

Prepaid expenses principally consist of advertising, promotional, leasing and insurance expenses, and are recognized in the income statement when the services or benefits are received.

Advertising costs consist of television and radio advertising airtime paid in advance, and are generally amortized over a 12-month period based on the transmission of the television and radio spots. The related production costs are recognized in income from operations the first time the advertising is broadcasted.

Promotional costs are expensed as incurred, except for those promotional costs related to the launching of new products or presentations before they are on the market. These costs are recorded as prepaid expenses and amortized over the period during which they are estimated to increase sales of the related products or container presentations to normal operating levels, which is generally no longer than one year.

The long-lived assets available for sale are recorded at their net realizable value. Long-lived assets are subject to impairment tests (see Note 9).

f) Capitalization of Comprehensive Financing Result:

Comprehensive financing result directly attributable to qualifying assets has to be capitalized as part historic cost, except for interest income obtained from temporary investments while the entity is awaiting to invest in the qualifying asset. Comprehensive financing result of long-term financing clearly linked to qualifying assets is capitalized directly. When comprehensive financing result of direct or indirect financing is not clearly linked to qualifying assets, the Company capitalizes the proportional comprehensive financing result attributable to those qualifying assets by the weighted average interest rate of each business, including the effects of derivative financial instruments related to those financing.

g) Bottles and Cases:

Non-returnable bottles and cases are recorded in the results of operations at the time of product sale. Returnable bottles and cases are recorded at acquisition cost. There are two types of returnable bottles and cases:

- Those that are in the Company's control within its facilities, plants and distribution centers; and
- Those that have been placed in the hands of customers, but still belong to the Company.

Breakage of returnable bottles and cases within plants and distribution centers is recorded as an expense as it is incurred. The Company estimates that breakage expense of returnable bottles and cases in plants and distribution centers is similar to the depreciation calculated on an estimated useful life of approximately four years for returnable soft drinks glass bottles and plastic cases, and 18 months for returnable soft drink plastic bottles. As of December 31, 2010 and 2009 the accumulated depreciation of bottles and cases amounted to Ps. 1,061 and Ps. 812, respectively.

Returnable bottles and cases that have been placed in the hands of customers are subject to an agreement with a retailer pursuant to which the Company retains ownership. These bottles and cases are monitored by sales personnel during periodic visits to retailers and the Company has the right to charge any breakage identified to the retailer. Bottles and cases that are not subject to such agreements are expensed when placed in the hands of retailers.

The Company's returnable bottles and cases in the market and for which a deposit from customers has been received are presented net of such deposits, and the difference between the cost of these assets and the deposits received is depreciated according to their useful lives.

h) Investments in Shares:

Investments in shares of associated companies where the Company holds 10% or more of a public company, 25% or more of a non-public company, or exercises significant influence according to NIF C-7 (see Note 3 D), are initially recorded at their acquisition cost as of acquisition date and are subsequently accounted for by the equity method. In order to apply the equity method from associates, the Company uses the investee's financial statements for the same period as the Company's consolidated financial statements and converts them to Mexican FRS if the investee reports financial information in a different GAAP. Equity method income from associates is presented in the consolidated income statements as part of the income from continuing operations.

Goodwill identified at the investment's acquisition date, is presented as part of the investment of shares of an associate in the consolidated balance sheet. Investment of shares of an associate is tested for impairment whenever certain circumstances indicate that the carrying amount might exceed its fair value. A temporary decrease of its market value is not recognized as an impairment. Usually, investees recognize impairment when it first occurs. However, when this does not happen, the Company recognizes it as a decrease in the equity method income of the period.

On May 1, 2010, the Company started to account the equity method regarding the 20% interest in Heineken Group (see Note 2). Heineken is an international company which prepares its information based on International Financial Reporting Standards (IFRS). The Company has analyzed differences between Mexican FRS and IFRS to reconcile Heineken's profit and total comprehensive income as required by NIF C-7, in order to estimate the impact on its figures.

Investments in affiliated companies in which the Company does not have significant influence are recorded at acquisition cost and restated using the consumer price index if that entity operates in an inflationary environment.

i) Property, Plant and Equipment:

Property, plant and equipment are initially recorded at their cost of acquisition and/or construction. The comprehensive financing result generated to fund long-term assets investment is capitalized as part of the total acquisition cost. As of December 31, 2010 and 2009, the Company has capitalized Ps. 66 and Ps. 55 respectively, based on a capitalization weighted average rate of 5.3% and 7.2% for long-term assets investments that require more than the operating cycle of the Company to get ready for its intended use. As of December 31, 2008 the capitalization of the comprehensive financing result did not have a significant impact in the consolidated financial statements. Major maintenance costs are capitalized as part of total acquisition cost. Routine maintenance and repair costs are expensed as incurred.

Investments in progress consist of long-lived assets not yet in service, in other words, that are not yet used for the purpose that they were bought, built or developed. The Company expects to complete those investments during the following 12 months.

Depreciation is computed using the straight-line method over acquisition cost, reduced by their residual values. The Company estimates depreciation rates, considering the estimated useful lives of the assets.

The estimated useful lives of the Company's principal assets are as follows:

	Years
Buildings and construction	40–50
Machinery and equipment	12–20
Distribution equipment	10–12
Refrigeration equipment	5–7
Information technology equipment	3–5

Leasing Contracts

The Company leases assets such as property, land, transportation and computer equipments, which are accounted for as operating leases. Payments regarding operating leases are recorded as expenses in the consolidated income of statement when incurred.

j) Other Assets:

Other assets represent payments whose benefits will be received in future years and mainly consist of the following:

- Agreements with customers for the right to sell and promote the Company's products during certain periods of time, which are considered monetary assets and amortized under the straight-line method, which amortizes the asset over the life of the contract.

The amortization is recorded reducing net sales, which during years ended December 31, 2010, 2009 and 2008, amounted to Ps. 553, Ps. 604 and Ps. 383, respectively.

- Leasehold improvements are amortized using the straight-line method, over the shorter of the useful life of the assets or a term equivalent to the lease period. The amortization of leasehold improvements as of December 31, 2010, 2009 and 2008 were Ps. 518, Ps. 471 and Ps. 456, respectively.

k) Intangible Assets:

Intangible assets represent payments whose benefits will be received in future years. These assets are classified as either intangible assets with a finite useful life or intangible assets with an indefinite useful life, in accordance with the period over which the Company is expected to receive the benefits.

Intangible assets with finite useful lives are amortized and mainly consist of:

- Information technology and management systems costs incurred during the development stage which are currently in use. Such amounts were capitalized and then amortized using the straight-line method over four years. Expenses that do not fulfill the requirements for capitalization are expensed as incurred.
- Other computer systems cost in the development stage, not yet in use. Such amounts are capitalized as they are expected to add value such as income or cost savings in the future. Such amounts will be amortized on a straight-line basis over their estimated useful life after they are placed in service.
- Long-term alcohol licenses are amortized using the straight-line method, and are presented as part of intangible assets of finite useful life.

Through 2008, start-up expenses, which represented costs incurred prior to the opening of OXXO stores with the characteristics of an intangible asset internally developed. Such amounts were amortized on a straight-line basis in accordance with the terms of the lease contract. In 2009, according to NIF C-8, these amounts were reclassified in retained earnings (see Note 3 E).

Intangible assets with indefinite lives are not amortized and are subject to annual impairment tests or more frequently if necessary. These assets are recorded in the functional currency of the subsidiary in which the investment was made and are subsequently translated into Mexican pesos applying the closing rate of each period. Where inflationary accounting is applied, the intangible assets are restated applying inflation factors of the country of origin and then translated into Mexican pesos at the year-end exchange rate. The Company's intangible assets with indefinite lives mainly consist of rights to produce and distribute Coca-Cola trademark products in the territories acquired. These rights are contained in agreements that are standard contracts that The Coca-Cola Company has with its bottlers.

There are four bottler agreements for Coca-Cola FEMSA's territories in Mexico; two expire in June 2013, and the other two in May 2015. The bottler agreement for Argentina expires in September 2014, for Brazil will expire in April 2014, in Colombia in June 2014, in Venezuela in August 2016, in Guatemala in March 2015, in Costa Rica in September 2017, in Nicaragua in May 2016 and in Panama in November 2014. All of the Company's bottler agreements are renewable for ten-year terms, subject to the right of each party to decide not to renew any of these agreements. In addition, these agreements generally may be terminated in the case of material breach. Termination would prevent Coca-Cola FEMSA from selling Coca-Cola trademark beverages in the affected territory and would have an adverse effect on its business, financial conditions, results of operations and prospects.

l) Impairment of Long-Lived Assets and Goodwill:

The Company reviews the carrying value of its long-lived assets and goodwill for impairment and determines whether impairment exists, by comparing the book value of the assets with its fair value which is calculated using recognized methodologies. In case of impairment, the Company records the resulting fair value.

For depreciable and amortizable long-lived assets, such as property, plant and equipment and certain other definite long-lived assets, the Company performs tests for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable through their expected future cash flows.

For indefinite life intangible assets, such as distribution rights and trademarks, the Company tests for impairment on an annual basis and whenever certain circumstances indicate that the carrying amount of those intangible assets exceeds its implied fair value calculated using recognized methodologies consistent with them.

For goodwill, the Company tests for impairment on an annual basis and whenever certain circumstances indicate that the carrying amount of the reporting unit might exceed its implied fair value.

Impairment charges regarding long-lived assets and goodwill are recognized in other expenses.

The Company recognized an impairment regarding indefinite life intangible assets of Ps. 10 as of the end of December 31, 2010 (see Note 12). No impairment was recognized regarding indefinite life intangible assets and goodwill as of the end of December 31, 2009 and 2008.

m) Payments from The Coca-Cola Company:

The Coca-Cola Company participates in certain advertising and promotional programs as well as in Coca-Cola FEMSA's refrigeration equipment and returnable bottles investment program. The contributions received for advertising and promotional incentives are included as a reduction of selling expenses. The contributions received for the refrigeration equipment and returnable bottles investment program are recorded as a reduction of the investment in refrigeration equipment and returnable bottles. Total contributions received were Ps. 2,386, Ps. 1,945 and Ps. 1,995 during the years ended December 31, 2010, 2009 and 2008, respectively.

n) Labor Liabilities:

Labor liabilities include obligations for pension and retirement plans, seniority premiums, postretirement medical services and severance indemnity liabilities other than restructuring, all based on actuarial calculations, using the projected unit credit method. Costs related to compensated absences, such as vacations and vacation premiums, are accrued on a cumulative basis, from which an accrual is made.

Labor liabilities are considered to be non-monetary and are determined using long-term assumptions. The yearly cost of labor liabilities is charged to income from operations and labor cost of past services is recorded as expenses over the remaining working life period of the employees during which they will receive the benefits of the plan.

Certain subsidiaries of the Company have established funds for the payment of pension benefits and postretirement medical services through irrevocable trusts of which the employees are named as beneficiaries.

o) Contingencies:

The Company recognizes a liability for a loss when it is probable that certain effects related to past events, would materialize and could be reasonably estimated. These events and its financial impact are disclosed as loss contingencies in the consolidated financial statements. The Company does not recognize an asset for a gain contingency unless it is certain that will be collected.

p) Commitments:

The Company discloses all its commitments regarding material long-lived assets acquisitions, and all contractual obligations (see Note 25 F).

q) Revenue Recognition:

Revenue is recognized in accordance with stated shipping terms, as follows:

- For Coca-Cola FEMSA sales of products are recognized as revenue upon delivery to the customer and once the customer has taken ownership of the goods. Net sales reflect units delivered at list prices reduced by promotional allowances, discounts and the amortization of the agreements with customers to obtain the rights to sell and promote the products of Coca-Cola FEMSA; and
- For FEMSA Comercio retail sales, net revenues are recognized when the product is delivered to customers, and customers take possession of products.

During 2007 and 2008, Coca-Cola FEMSA sold certain of its private label brands to The Coca-Cola Company. Proceeds received from The Coca-Cola Company were initially deferred and are being amortized against the related costs of future product sales over the estimated period of such sales. The balance of unearned revenues as of December 31, 2010 and 2009 amounted to Ps. 547 and Ps. 616, respectively. The short-term portions of such amounts are presented as other current liabilities, amounted Ps. 276 and Ps. 203 at December 31, 2010 and 2009, respectively.

r) Operating Expenses:

Operating expenses are comprised of administrative and selling expenses. Administrative expenses include labor costs (salaries and other benefits) of employees not directly involved in the sale of the Company's products, as well as professional service fees, depreciation of office facilities and amortization of capitalized information technology system implementation costs.

Selling expenses include:

- Distribution: labor costs (salaries and other benefits), outbound freight costs, warehousing costs of finished products, breakage of returnable bottles in the distribution process, depreciation and maintenance of trucks and other distribution facilities and equipment. For the years ended December 31, 2010, 2009 and 2008, these distribution costs amounted to Ps. 12,774, Ps. 13,395 and Ps. 10,468, respectively;
- Sales: labor costs (salaries and other benefits) and sales commissions paid to sales personnel; and
- Marketing: labor costs (salaries and other benefits), promotional expenses and advertising costs.

s) Other Expenses:

Other expenses include Employee Profit Sharing ("PTU"), gains or losses on sales of fixed assets, impairment of long-lived assets, contingencies reserves as well as their subsequent interest and penalties, severance payments derived from restructuring programs and all other non-recurring expenses related to activities different from the main activities of the Company that are not recognized as part of the comprehensive financing result.

PTU is applicable to Mexico and Venezuela. In Mexico, employee profit sharing is computed at the rate of 10% of the individual company taxable income, except for considering cumulative dividends received from resident legal persons in Mexico, depreciation of historical rather restated values, foreign exchange gains and losses, which are not included until the asset is disposed of or the liability is due and other effects of inflation are also excluded. In Venezuela, employee profit sharing is computed at a rate equivalent to 15% of after tax income, and it is no more than four months of salary.

According to the assets and liabilities method described in NIF D-4 Income Taxes, the Company does not expect relevant deferred items to materialize. As a result, the Company has not recognized deferred employee profit sharing as of either December 31, 2010, 2009 or 2008.

Severance indemnities resulting from a restructuring program and associated with an ongoing benefit arrangement are charged to other expenses on the date when the decision to dismiss personnel under a formal program or for specific causes is taken.

t) Income Taxes:

Income tax is charged to results as incurred as are deferred income taxes. For purposes of recognizing the effects of deferred income taxes in the consolidated financial statements, the Company utilizes both retrospective and prospective analysis over the medium term when more than one tax regime exists per jurisdiction and recognizes the amount based on the tax regime it expects to be subject to, in the future. Deferred income taxes assets and liabilities are recognized for temporary differences resulting from comparing the book and tax values of assets and liabilities plus any future benefits from tax loss carryforwards. Deferred income tax assets are reduced by any benefits for which it is more likely than not that they are not realizable.

The balance of deferred taxes is comprised of monetary and non-monetary items, based on the temporary differences from which it is derived. Deferred taxes are classified as a long-term asset or liability, regardless of when the temporary differences are expected to reverse.

The Company determines deferred taxes for temporary differences of its permanent investments.

The deferred tax provision to be included in the income statement is determined by comparing the deferred tax balance at the end of the year to the balance at the beginning of the year, excluding from both balances any temporary differences that are recorded directly in stockholders' equity. The deferred taxes related to such temporary differences are recorded in the same stockholders' equity account that gave rise to them.

u) Comprehensive Financing Result:

Comprehensive financing result includes interest, foreign exchange gain and losses, market value gain or loss on ineffective portion of derivative financial instruments and gain or loss on monetary position, except for those amounts capitalized and those that are recognized as part of the cumulative comprehensive income (loss). The components of the Comprehensive Financing Result are described as follows:

- Interest: Interest income and expenses are recorded when earned or incurred, respectively, except for interest capitalized on the financing of long-term assets;
- Foreign Exchange Gains and Losses: Transactions in foreign currencies are recorded in local currencies using the exchange rate applicable on the date they occur. Assets and liabilities in foreign currencies are adjusted to the year-end exchange rate, recording the resulting foreign exchange gain or loss directly in the income statement, except for the foreign exchange gain or loss from the intercompany financing foreign currency denominated balances that are considered to be of a long-term investment nature and the foreign exchange gain or loss from the financing of long-term assets (see Note 4);
- Gain or Loss on Monetary Position: The gain or loss on monetary position results from the changes in the general price level of monetary accounts of those subsidiaries that operate in inflationary environments (see Note 5 A), which is determined by applying inflation factors of the country of origin to the net monetary position at the beginning of each month and excluding the intercompany financing in foreign currency that is considered as long-term investment because of its nature (see Note 4), as well as the gain or loss on monetary position from long-term liabilities to finance long-term assets, and
- Market Value Gain or Loss on Ineffective Portion of Derivative Financial Instruments: Represents the net change in the fair value of the ineffective portion of derivative financial instruments, the net change in the fair value of those derivative financial instruments that do not meet hedging criteria for accounting purposes; and the net change in the fair value of embedded derivative financial instruments.

v) Derivative Financial Instruments:

The Company is exposed to different risks related to cash flows, liquidity, market and credit. As a result the Company contracts in different derivative financial instruments in order to reduce its exposure to the risk of exchange rate fluctuations between the Mexican peso and other currencies, the risk of exchange rate and interest rate fluctuations associated with its borrowings denominated in foreign currencies and the exposure to the risk of fluctuation in the costs of certain raw materials.

The Company values and records all derivative financial instruments and hedging activities, including certain derivative financial instruments embedded in other contracts, in the balance sheet as either an asset or liability measured at fair value, considering quoted prices in recognized markets. If such instruments are not traded in a formal market, fair value is determined by applying techniques based upon technical models supported by sufficient, reliable and verifiable market data, recognized in the financial sector. Changes in the fair value of derivative financial instruments are recorded each year in current earnings or as a component of cumulative other comprehensive income (loss), based on the item being hedged and the ineffectiveness of the hedge.

As of December 31, 2010 and 2009, the balance in other current assets of derivative financial instruments was Ps. 24 and Ps. 26 (see Note 9), and in other assets Ps. 708 and Ps. 481 (see Note 13), respectively. The Company recognized liabilities regarding derivative financial instruments in other current liabilities of Ps. 41 and Ps. 45 (see Note 25 A), as of the end of December 31, 2010 and 2009, respectively, and other liabilities of Ps. 653 and Ps. 553 (see Note 25 B) for the same periods.

The Company designates its financial instruments as cash flow hedges at the inception of the hedging relationship, when transactions meet all hedging accounting requirements. For cash flow hedges, the effective portion is recognized temporarily in cumulative other comprehensive income (loss) within stockholders' equity and subsequently reclassified to current earnings at the same time the hedged item is recorded in earnings. When derivative financial instruments do not meet all of the accounting requirements for hedging purposes, the change in fair value is immediately recognized in net income. For fair value hedges, the changes in the fair value are recorded in the consolidated results in the period the change occurs as part of the market value gain or loss on ineffective portion of derivative financial instruments.

The Company identifies embedded derivatives that should be segregated from the host contract for purposes of valuation and recognition. When an embedded derivative is identified and the host contract has not been stated at fair value the embedded derivative is segregated from the host contract, stated at fair value and is classified as trading. Changes in the fair value of the embedded derivatives at the closing of each period are recognized in the consolidated results.

w) Cumulative Other Comprehensive Income:

The cumulative other comprehensive income represents the period net income as described in NIF B-3 "Income Statement," plus the cumulative translation adjustment resulted from translation of foreign subsidiaries and associates to Mexican pesos and the effect of unrealized gain/loss on cash flow hedges from derivative financial instruments.

		2010		2009
Unrealized gain (loss) on cash flow hedges	Ps.	140	Ps.	(896)
Cumulative translation adjustment		6		2,894
	Ps.	146	Ps.	1,998

The changes in the cumulative translation adjustment ("CTA") were as follows:

		2010		2009		2008
Initial balance	Ps.	2,894	Ps.	(826)	Ps.	(1,337)
Recycling of CTA from FEMSA Cerveza business (see Note 2)		(1,418)		-		-
Translation effect		(3,031)		2,183		(1,023)
Foreign exchange effect from intercompany long-term loans		1,561		1,537		1,534
Ending balance	Ps.	6	Ps.	2,894	Ps.	(826)

The deferred income tax from the cumulative translation adjustment amounted to an asset of Ps. 352 and a liability of Ps. 609 as of December 2010 and 2009, respectively (see Note 24 D).

x) Provisions:

Provisions are recognized for obligations that result from a past event that will probably result in the use of economic resources and that can be reasonably estimated. Such provisions are recorded at net present values when the effect of the discount is significant. The Company has recognized provisions regarding contingencies and vacations in the consolidated financial statements.

y) Issuances of Subsidiary Stock:

The Company recognizes issuances of a subsidiary's stock as a capital transaction. The difference between the book value of the shares issued and the amount contributed by the noncontrolling interest holder or a third party is recorded as additional paid-in capital.

z) Earnings per Share:

Earnings per share are determined by dividing net controlling interest income by the average weighted number of shares outstanding during the period.

Earnings per share before discontinued operations are calculated by dividing consolidated net income before discontinued operations by the average weighted number of shares outstanding during the period.

Earnings per share from discontinued operations are calculated by dividing net income from discontinued operations by the average weighted number of shares outstanding during the period.

Note 6. Acquisitions and Disposals.

a) Acquisitions:

Coca-Cola FEMSA made certain business acquisitions that were recorded using the purchase method. The results of the acquired operations have been included in the consolidated financial statements since Coca-Cola FEMSA obtained control of acquired businesses. Therefore, the consolidated income statements and the consolidated balance sheets are not comparable with periods before acquisition date. The consolidated cash flows for the years ended December 31, 2009 and 2008, show the acquired operations net of the cash related to those acquisitions. In 2010 the Company did not have business combinations.

- i) On February 27, 2009, Coca-Cola FEMSA along with The Coca-Cola Company completed the acquisition of certain assets of the Brisa bottled water business in Colombia. This acquisition was made so as to strengthen Coca-Cola FEMSA's position in the local water business in Colombia. The Brisa bottled water business was previously owned by a subsidiary of SABMiller. Terms of the transaction called for an initial purchase price of \$92, of which \$46 was paid by Coca-Cola FEMSA and \$46 by The Coca-Cola Company. The Brisa brand and certain other intangible assets were acquired by The Coca-Cola Company, while production related property and equipment and inventory was acquired by Coca-Cola FEMSA. Coca-Cola FEMSA also acquired the distribution rights over Brisa products in its Colombian territory. In addition to the initial purchase price, contingent purchase consideration also existed related to the net revenues of the Brisa bottled water business subsequent to the acquisition. The total purchase price incurred by Coca-Cola FEMSA was Ps. 730, consisting of Ps. 717 in cash payments, and accrued liabilities of Ps. 13. Transaction related costs were expensed by Coca-Cola FEMSA as incurred as required by Mexican FRS. Following a transition period, Brisa was included in the Coca-Cola FEMSA's operating results beginning June 1, 2009.

The estimated fair value of the Brisa net assets acquired by Coca-Cola FEMSA is as follows:

Production related property and equipment, at fair value	Ps.	95
Distribution rights, at fair value, with an indefinite life		635
Net assets acquired / purchase price	Ps.	730

The results of operation of Brisa for the period from the acquisition through December 31, 2009 were not material to our consolidated results of operations.

- ii) On July 17, 2008, Coca-Cola FEMSA acquired certain assets of Agua De Los Angeles, which sells and distributes water within Mexico Valley, for Ps. 206, net of cash received. This acquisition was made so as to strengthen Coca-Cola FEMSA's position in the local water business in Mexico. Based on the purchase price allocation, Coca-Cola FEMSA identified intangible assets with indefinite life of Ps. 18 consisting of distribution rights and intangible assets of definite life of Ps. 15 consisting of a non-compete right, amortizable in the following five years.
- iii) On May 31, 2008, Coca-Cola FEMSA completed in Brazil the franchise acquisition of Refrigerantes Minas Gerais ("REMIL") for Ps. 3,633 net of cash received, assuming liabilities for Ps. 1,966 which includes an account payable to The Coca-Cola Company for Ps. 574, acquiring 100% of the voting shares. Coca-Cola FEMSA identified intangible assets with indefinite lives consisting of distribution rights based on the purchase price allocation of Ps. 2,242. This acquisition was made so as to strengthen Coca-Cola FEMSA's position in the local soft drinks business in Brazil.

The estimated fair value of the REMIL net assets acquired by Coca-Cola FEMSA is as follows:

Total current assets	Ps.	881
Total long-term assets		1,902
Distribution rights		2,242
Total current liabilities		1,152
Total long-term liabilities		814
Total liabilities		1,966
Net assets acquired	Ps.	3,059

As of December 31, 2008, Coca-Cola FEMSA has recognized a loss of Ps. 45 as part of the income statement of Coca-Cola FEMSA related to REMIL's results after its acquisition.

- iv) On January 21, 2008, a reorganization of the Colombian operations occurred by way of a spin-off of the previous noncontrolling interest shareholders. The total amount paid to the noncontrolling interest shareholders for the buy-out was Ps. 213.

- v) Unaudited Pro Forma Financial Data.

The results of operation of Brisa for the years ended December 31, 2009 and 2008 were not material to the Company's consolidated results of operations for those periods. Accordingly, pro forma 2009 and 2008 financial data considering the acquisition of Brisa as of January 1, 2008 has not been presented herein.

b) Disposals:

- i) On September 23, 2010, the Company disposed of its subsidiary Promotora de Marcas Nacionales, S.A. de C.V. for which received a payment of Ps.1,002. The recognized a gain of Ps. 845 as a sale of shares within other expenses which is the difference between the fair value of the consideration received and the book value of the net assets disposed.
- ii) On December 31, 2010, the Company disposed of its subsidiary Graforegia, S.A. de C.V for which received a payment of Ps. 1,021. The Company recognized a gain of Ps. 665, as a sales of shares within other expenses, which is the difference between the fair value of the consideration received and the book value of the net assets disposed.

Note 7. Accounts Receivable.

	2010		2009	
Trade	Ps.	5,739	Ps.	5,162
Allowance for doubtful accounts		(249)		(246)
The Coca-Cola Company		1,030		1,034
Notes receivable		402		302
Loans to employees		111		104
Travel advances to employees		51		62
Other		618		473
	Ps.	7,702	Ps.	6,891

The changes in the allowance for doubtful accounts are as follows:

	2010		2009		2008	
Opening balance	Ps.	246	Ps.	206	Ps.	170
Provision for the year		113		91		194
Write-off of uncollectible accounts		(100)		(76)		(157)
Translation of foreign currency effect		(10)		25		(1)
Ending balance	Ps.	249	Ps.	246	Ps.	206

Note 8. Inventories.

	2010		2009	
Finished products	Ps.	7,437	Ps.	6,065
Raw materials		3,164		3,020
Spare parts		710		645
Advances to suppliers		187		276
Work in process		60		70
Allowance for obsolescence		(111)		(81)
	Ps.	11,447	Ps.	9,995

Note 9. Other Current Assets.

	2010		2009	
Long-lived assets available for sale	Ps.	125	Ps.	326
Advertising and deferred promotional expenses		207		204
Advances to services suppliers		154		253
Prepaid leases		84		79
Agreements with customers		85		96
Derivative financial instruments		24		26
Short-term licenses		24		12
Prepaid insurance		31		24
Financing receivables ⁽¹⁾		-		171
Other		171		74
	Ps.	905	Ps.	1,265

⁽¹⁾ Represents the current portion of financing receivables between FEMSA Holding and Cervecería Cuauhtémoc Moctezuma, S.A. de C.V. which was a subsidiary of FEMSA Cerveza before exchange of FEMSA Cerveza, financing receivables were eliminated as part of consolidation (see Note 2).

The advertising and deferred promotional expenses recorded in the consolidated income statements for the years ended December 31, 2010, 2009 and 2008 amounted to Ps. 4,406 Ps. 3,629 and Ps. 2,600, respectively.

Note 10. Investments in Shares.

Company	%Ownership	2010	2009
Heineken Group ⁽¹⁾	20.00% ⁽²⁾	66,478	-
Coca-Cola FEMSA:			
Jugos del Valle, S.A.P.I. de C.V. ⁽¹⁾	19.79%	Ps. 603	Ps. 1,162
Sucos del Valle Do Brasil, LTDA ⁽¹⁾	19.89%	340	325
Mais Industria de Alimentos, LTDA ⁽¹⁾	19.89%	474	289
Holdfab2, LTDA ⁽¹⁾	27.69%	300	-
Industria Envasadora de Querétaro, S.A. de C.V. ("IEOSA") ⁽¹⁾	13.45%	67	78
Industria Mexicana de Reciclaje, S.A. de C.V. ⁽¹⁾	35.00%	69	76
Estancia Hidromineral Itabirito, LTDA ⁽¹⁾	50.00%	87	76
Beta San Miguel, S.A. de C.V. ("Beta San Miguel") ⁽³⁾	2.54%	69	69
KSP Participações, LTDA ⁽¹⁾	38.74%	93	88
Other	Various	6	7
Other investments	Various	207	38
		Ps. 68,793	Ps. 2,208

⁽¹⁾ The Company has significant influence, mainly due to its representation in the Board of Directors in those companies; as a result investment in shares is accounted by the equity method. The date of the financial statements of the investees used to account for the equity method is the same as the one used in the Company consolidated financial statements.

⁽²⁾ As of December 31, 2010, comprised of 9.24% of Heineken, N.V., 14.94% of Heineken Holding, N.V., and 3.29% of the ASDI, which represents an economic interest of 20% in Heineken.

⁽³⁾ Acquisition cost.

In August 2010, Coca-Cola FEMSA made an investment for approximately Ps. 295 (R\$40 million) in Holdfab2 Participações Societárias, LTDA representing 27.69%. Holdfab2 has a 50% investment in Leao Junior, a tea producer company in Brazil.

During 2010, the shareholders of Jugos del Valle, including Coca-Cola FEMSA, agreed to spin-off the distribution rights. This distribution resulted in a decrease of Coca-Cola FEMSA's investment in shares of Ps. 735 and an increase to its intangible assets (distribution rights of a separate legal entity) for the same amount.

As of December 31, 2010, the Company owns an economic interest of 20% of Heineken Group (see Note 2). Heineken's main activities are the production, distribution and marketing of beer worldwide. The Company recognized an equity income of Ps. 3,319 regarding to its interest in Heineken, for the period from May 1, 2010 to December 31, 2010.

The following is some relevant financial information from Heineken as of December 31, 2010 and the condensed results for the full year as of December 31, 2010:

In millions of Euros	2010
Current assets	4,318
Long-term assets	22,231
Total assets	26,549
Current liabilities	5,623
Long-term liabilities	10,409
Total liabilities	16,032
Total stockholders' equity	10,517

In millions of Euros	2010
Total revenues	16,372
Total expenses	(14,089)
Results from operating activities	2,283
Profit before income tax	1,967
Income tax	(399)
Profit	1,568
Profit attributable to equity holders of the company	1,436
Total comprehensive income	2,030
Total comprehensive income attributable to equity holders of the company	1,883

As of December 31, 2010 fair value of FEMSA's investment in Heineken N.V. Holding and Heineken N.V. represented by shares equivalent to 20% of its outstanding shares amounted to Ps. 66,980 based on quoted market prices of that date.

Note 11. Property, Plant and Equipment.

	2010	2009
Land	Ps. 5,226	Ps. 5,412
Buildings, machinery and equipment	51,003	51,645
Accumulated depreciation	(24,041)	(25,538)
Refrigeration equipment	9,829	9,180
Accumulated depreciation	(5,849)	(6,016)
Investment in fixed assets in progress (see Note 5 I)	3,164	3,024
Long-lived assets stated at net realizable value	232	330
Other long-lived assets	292	332
	Ps. 39,856	Ps. 38,369

As of December 31, 2010 and 2009, the Company has identified long-term assets investments of Ps. 1,929 and Ps. 845, respectively, that are not ready for their intended use and met the definition of qualified assets for comprehensive financing result capitalization, which amounted to Ps. 66 and Ps. 55. As of December 31, 2008, the capitalization of the comprehensive financing result did not have a significant impact on the consolidated financial statements.

The changes in the carrying amount of the capitalized comprehensive financial result are as follows:

	2010	2009
Beginning balance	Ps. 55	Ps. -
Capitalization of comprehensive financial result	12	55
Amortization	(1)	-
Ending balance	Ps. 66	Ps. 55

The Company has identified certain long-lived assets that are not strategic to the current and future operations of the business and are not being used, comprised of land, buildings and equipment, in accordance with an approved program for the disposal of certain investments. Such long-lived assets, have been recorded at their estimated net realizable value without exceeding their acquisition cost, as follows:

	2010	2009
Coca-Cola FEMSA	Ps. 189	Ps. 288
Other subsidiaries	43	42
	Ps. 232	Ps. 330
Buildings	Ps. 64	Ps. 88
Land	139	60
Equipment	29	182
	Ps. 232	Ps. 330

As a result of selling certain not strategic long-lived assets, the Company recognized a loss of Ps. 41, gains of Ps. 6 and Ps. 1 for the years ended December 31, 2010, 2009 and 2008, respectively.

Long-lived assets that are available for sale have been reclassified from property, plant and equipment to other current assets. As of December 31, 2010 and 2009, long-lived assets available for sale amounted to Ps. 125 and Ps. 326 (see Note 9).

Note 12. Intangible Assets.

	2010	2009
Unamortized intangible assets:		
Coca-Cola FEMSA:		
Rights to produce and distribute Coca-Cola trademark products	Ps. 49,169	Ps. 49,520
Other unamortized intangible assets	462	623
	Ps. 49,631	Ps. 50,143
Amortized intangible assets:		
Systems in development costs	Ps. 1,898	Ps. 1,188
Technology costs and management systems	286	310
Alcohol licenses (see Note 5 K)	410	223
Other	115	128
	Ps. 2,709	Ps. 1,849
Total intangible assets	Ps. 52,340	Ps. 51,992

The changes in the carrying amount of unamortized intangible assets are as follows:

	2010		2009	
Beginning balance	Ps.	50,143	Ps.	47,514
Acquisitions		833		698
Cancellations		(151)		-
Impairment		(10)		-
Translation and restatement of foreign currency effect		(1,184)		1,931
Ending balance	Ps.	49,631	Ps.	50,143

The changes in the carrying amount of amortized intangible assets are as follows:

	Investments		Amortization		Total
	Accumulated at the Beginning of the Year	Additions	Accumulated at the Beginning of the Year	For the Year	
2010					
Systems in development costs	Ps. 1,188	Ps. 751	Ps. -	Ps. (41)	Ps. 1,898
Technology costs and management systems	1,327	76	(1,017)	(100)	286
Alcohol licenses ⁽¹⁾	271	224	(48)	(37)	410
2009					
Systems in development costs	Ps. 333	Ps. 855	Ps. -	Ps. -	Ps. 1,188
Technology costs and management systems	968	359	(667)	(350)	310
Alcohol licenses ⁽¹⁾	169	102	(31)	(17)	223
2008					
Systems in development costs	Ps. -	Ps. 333	Ps. -	Ps. -	Ps. 333
Technology costs and management systems	853	115	(521)	(146)	301
Alcohol licenses ⁽¹⁾	110	59	(23)	(8)	138

⁽¹⁾ See Note 5 K.

The estimated amortization for intangible assets of definite life is as follows:

	2011	2012	2013	2014	2015
Systems amortization	Ps. 347	Ps. 346	Ps. 302	Ps. 276	Ps. 267
Alcohol licenses	33	43	56	73	95
Others	25	40	32	26	22

Note 13. Other Assets.

	2010		2009	
Leasehold improvements-net	Ps.	5,261	Ps.	4,401
Agreements with customers (see Note 5 J)		186		260
Derivative financial instruments		708		481
Guarantee deposits		897		859
Long-term accounts receivable		371		214
Advertising and promotional expenses		125		106
Long-term financing receivables ⁽¹⁾		-		12,209
Other		955		835
	Ps.	8,503	Ps.	19,365

⁽¹⁾ Represents financing between FEMSA Holding and Cervecería Cuauthemoc Moctezuma, S.A. de C.V. Before exchange of FEMSA Cerveza, financing receivables were eliminated as part of consolidation (see Note 2).

Long-term accounts receivables are comprised of Ps. 337 and Ps. 34 of principal and interests, and are expected to be collected as follows:

2011	Ps.	7
2012		72
2013		93
2014		197
2015 and thereafter		2
	Ps.	371

Note 14. Balances and Transactions with Related Parties and Affiliated Companies.

Balances and transactions with related parties and affiliated companies include consideration of: a) the overall business in which the reporting entity participates; b) close family members of key officers; and c) any fund created in connection with a labor related compensation plan.

On April 30, 2010, the Company lost control over FEMSA Cerveza which became a subsidiary of Heineken Group. As a result, balances and transactions with Heineken Group and subsidiaries are presented since that date as balances and transactions with related parties. Balances and transactions prior to that date are not disclosed because they were not transactions between related parties of the Company.

The consolidated balance sheets and income statements include the following balances and transactions with related parties and affiliated companies:

Balances	2010		2009	
Due from The Coca-Cola Company (see Note 5 M) ⁽¹⁾	Ps.	1,030	Ps.	1,034
Balance with BBVA Bancomer, S.A. de C.V. ⁽²⁾		2,944		4,474
Due from Grupo Financiero Banamex, S.A. de C.V. ⁽²⁾		2,103		-
Due from Heineken Group ⁽¹⁾		425		-
Other receivables ⁽¹⁾		295		58
Due to BBVA Bancomer, S.A. de C.V. ⁽³⁾		999		4,112
Due to The Coca-Cola Company ⁽⁴⁾		1,911		2,405
Due to Grupo Financiero Banamex, S.A. de C.V. ⁽³⁾		500		500
Due to British American Tobacco México ⁽⁴⁾		287		186
Due to Heineken Group ⁽⁴⁾		1,463		-
Other payables ⁽⁴⁾		210		345

⁽¹⁾ Recorded as part of total of receivable accounts.

⁽²⁾ Recorded as part of cash and cash equivalents.

⁽³⁾ Recorded as part of total bank loans.

⁽⁴⁾ Recorded as part of total accounts payable.

Transactions	2010		2009		2008	
Income:						
Logistic services to Heineken Group	Ps.	706	Ps.	-	Ps.	-
Administrative services to Heineken Group		342		-		-
Logistic services to Grupo Industrial Saltillo, S.A. de C.V.		241		234		252
Sales of Grupo Inmobiliario San Agustín, S.A. shares to Instituto Tecnológico y de Estudios Superiores de Monterrey, A.C.		62		64		66
Other revenues from related parties		42		22		9
Expenses:						
Purchase of concentrate from The Coca-Cola Company ⁽¹⁾		19,371		16,863		13,518
Purchase of beer from Heineken Group ⁽¹⁾⁽²⁾		7,063		-		-
Purchase of baked goods and snacks from Grupo Bimbo, S.A.B. de C.V. ⁽²⁾		2,018		1,733		1,578
Purchase of cigarettes from British American Tobacco México ⁽²⁾		1,883		1,413		1,439
Advertisement expense paid to The Coca-Cola Company ⁽¹⁾		1,117		780		931
Purchase of juices from Jugos del Valle, S.A. de C.V. ⁽¹⁾⁽²⁾		1,332		1,044		863
Interest expense and fees paid to BBVA Bancomer, S.A. de C.V.		108		260		235
Purchase of sugar from Beta San Miguel ⁽¹⁾		1,307		713		687
Purchase of sugar, cans and aluminum lids from Promotora Mexicana de Embotelladores, S.A. de C.V. ⁽¹⁾		684		783		525
Purchase of canned products from IEQSA ⁽¹⁾		196		208		333
Advertising paid to Grupo Televisa, S.A.B.		37		13		20
Interest expense paid to Grupo Financiero Banamex, S.A. de C.V.		56		61		50
Insurance premiums for policies with Grupo Nacional Provincial, S.A.B.		69		78		57
Donations to Instituto Tecnológico y de Estudios Superiores de Monterrey, A.C.		63		72		49
Purchase of plastic bottles from Embotelladora del Atlántico, S.A. (formerly Complejo Industrial Pet, S.A.) ⁽¹⁾		52		54		42
Donations to Difusión y Fomento Cultural, A.C.		29		18		29
Interest expense paid to The Coca-Cola Company ⁽¹⁾		5		25		27
Other expenses with related parties		31		42		30

⁽¹⁾ These companies are related parties of our subsidiary Coca-Cola FEMSA.

⁽²⁾ These companies are related parties of our subsidiary FEMSA Comercio.

The benefits and aggregate compensation paid to executive officers and senior management of FEMSA and its subsidiaries were as follows:

	2010		2009		2008	
Short- and long-term benefits paid	Ps.	1,307	Ps.	1,206	Ps.	1,083
Severance indemnities		34		47		10
Postretirement benefits (labor cost)		83		23		23

Note 15. Balances and Transactions in Foreign Currencies.

According to NIF B-15, assets, liabilities and transactions denominated in foreign currencies are those realized in a currency different than the recording, functional or reporting currency of each reporting unit. As of the end of and for the years ended December 31, 2010 and 2009, assets, liabilities and transactions denominated in foreign currencies, expressed in Mexican pesos are as follows:

	2010			2009		
	U.S. Dollars	Other Currencies	Total	U.S. Dollars	Other Currencies	Total
Assets:						
Short-term	Ps. 11,761	Ps. 480	Ps. 12,241	Ps. 6,186	Ps. -	Ps. 6,186
Long-term	321	-	321	263	-	263
Liabilities:						
Short-term	1,501	247	1,748	1,562	17	1,579
Long-term	6,962	-	6,962	2,878	-	2,878
Transactions						
	U.S. Dollars	Other Currencies	Total	U.S. Dollars	Other Currencies	Total
Total revenues	Ps. 1,111	Ps. -	Ps. 1,111	Ps. 1,128	Ps. -	Ps. 1,128
Expenses and investments:						
Purchases of raw materials	5,648	-	5,648	7,300	-	7,300
Interest expense	13	-	13	149	-	149
Consulting fees	452	24	476	101	-	101
Assets acquisitions	311	-	311	183	12	195
Other	804	3	807	721	-	721
	Ps. 7,228	Ps. 27	Ps. 7,255	Ps. 8,454	Ps. 12	Ps. 8,466

As of March 11, 2011, issuance date of these consolidated financial statements, the exchange rate published by "Banco de México" was Ps. 11.9680 Mexican pesos per one U.S. Dollar, and the foreign currency position was similar to that as of December 31, 2010.

Note 16. Labor Liabilities.

The Company has various labor liabilities in connection with pension, seniority, post retirement medical and severance benefits. Benefits vary depending upon country.

a) Assumptions:

The Company annually evaluates the reasonableness of the assumptions used in its labor liabilities computations. Actuarial calculations for pension and retirement plans, seniority premiums, postretirement medical services and severance indemnity liabilities, as well as the cost for the period, were determined using the following long-term assumptions:

	Nominal Rates ⁽¹⁾			Real Rates ⁽²⁾		
	2010	2009	2008	2010	2009	2008
Annual discount rate	7.6%	8.2%	8.2%	4.0%	4.5%	4.5%
Salary increase	4.8%	5.1%	5.1%	1.2%	1.5%	1.5%
Return on assets	8.2%	8.2%	11.3%	3.6%	4.5%	4.5%

Measurement date: December 2010

⁽¹⁾ For non-inflationary economies.

⁽²⁾ For inflationary economies.

The basis for the determination of the long-term rate of return is supported by a historical analysis of average returns in real terms for the last 30 years of the Certificados de Tesorería del Gobierno Federal (Mexican Federal Government Treasury Certificates) for Mexican investments, treasury bonds of each country for other investments and the expected rates of long-term returns of the actual investments of the Company.

The annual growth rate for health care expenses is 5.1% in nominal terms, consistent with the historical average health care expense rate for the past 30 years. Such rate is expected to remain consistent for the foreseeable future.

Based on these assumptions, the expected benefits to be paid in the following years are as follows:

	Pension and Retirement Plans	Seniority Premiums	Postretirement Medical Services	Severance Indemnities
2011	Ps. 390	Ps. 11	Ps. 12	Ps. 104
2012	163	10	11	83
2013	190	10	11	76
2014	190	12	11	73
2015	197	13	11	69
2016 to 2021	1,181	91	45	299

b) Balances of the Liabilities:

	2010		2009
Pension and Retirement Plans:			
Vested benefit obligation	Ps. 1,461	Ps.	1,146
Non-vested benefit obligation	1,080		875
Accumulated benefit obligation	2,541		2,021
Excess of projected benefit obligation over accumulated benefit obligation	757		591
Defined benefit obligation	3,298		2,612
Pension plan funds at fair value	(1,501)		(1,144)
Unfunded defined benefit obligation	1,797		1,468
Labor cost of past services ⁽¹⁾	(349)		(365)
Unrecognized actuarial (loss) gain, net	(272)		72
Total	Ps. 1,176	Ps.	1,175
Seniority Premiums:			
Vested benefit obligation	Ps. 12	Ps.	3
Non-vested benefit obligation	93		98
Accumulated benefit obligation	105		101
Excess of projected benefit obligation over accumulated benefit obligation	49		65
Unfunded defined benefit obligation	154		166
Unrecognized actuarial gain (loss), net	17		(17)
Total	Ps. 171	Ps.	149
Postretirement Medical Services:			
Vested benefit obligation	Ps. 119	Ps.	94
Non-vested benefit obligation	112		97
Defined benefit obligation	231		191
Medical services funds at fair value	(43)		(39)
Unfunded defined benefit obligation	188		152
Labor cost of past services ⁽¹⁾	(4)		(6)
Unrecognized actuarial (loss), net	(102)		(81)
Total	Ps. 82	Ps.	65
Severance Indemnities:			
Accumulated benefit obligation	Ps. 462	Ps.	447
Excess of projected benefit obligation over accumulated benefit obligation	91		88
Defined benefit obligation	553		535
Labor cost of past services ⁽¹⁾	(99)		(148)
Total	Ps. 454	Ps.	387
Total labor liabilities	Ps. 1,883	Ps.	1,776

⁽¹⁾ Unrecognized net transition obligation and unrecognized prior service costs.

The accumulated actuarial gains and losses were generated by the differences in the assumptions used for the actuarial calculations at the beginning of the year versus the actual behavior of those variables at the end of the year.

c) Trust Assets:

Trust assets consist of fixed and variable return financial instruments recorded at market value. The trust assets are invested as follows:

	2010	2009
Fixed return:		
Publicly traded securities	10%	10%
Bank instruments	8%	5%
Federal government instruments	60%	65%
Variable return:		
Publicly traded shares	22%	20%
	100%	100%

The Company has a policy of maintaining at least 30% of the trust assets in Mexican Federal Government instruments. Objective portfolio guidelines have been established for the remaining percentage, and investment decisions are made to comply with those guidelines to the extent that market conditions and available funds allow.

The amounts and types of securities of the Company and related parties included in plan assets are as follows:

	2010		2009	
Debt:				
CEMEX, S.A.B. de C.V.	Ps.	20	Ps.	21
BBVA Bancomer, S.A. de C.V.		11		6
Sigma Alimentos, S.A. de C.V.		-		10
Coca-Cola FEMSA		2		2
Grupo Industrial Bimbo, S.A. de C.V.		2		2
Capital:				
FEMSA		97		90
Grupo Televisa, S.A.B.		8		7

The Company does not expect to make material contributions to plan assets during the following fiscal year.

d) Cost for the Year:

	2010		2009		2008	
Pension and Retirement Plans:						
Labor cost	Ps.	136	Ps.	136	Ps.	117
Interest cost		219		216		186
Expected return on trust assets		(94)		(80)		(94)
Labor cost of past services ⁽¹⁾		30		29		29
Amortization of net actuarial loss		4		17		12
		295		318		250
Seniority Premiums:						
Labor cost		27		25		22
Interest cost		13		12		11
Labor cost of past services ⁽¹⁾		1		-		1
Amortization of net actuarial loss		-		-		20
		41		37		54
Postretirement Medical Services:						
Labor cost		8		7		6
Interest cost		16		15		13
Expected return on trust assets		(3)		(3)		(3)
Labor cost of past services ⁽¹⁾		2		2		2
Amortization of net actuarial loss		4		5		4
		27		26		22
Severance Indemnities:						
Labor cost		65		61		70
Interest cost		31		32		38
Labor cost of past services ⁽¹⁾		48		50		67
Amortization of net actuarial loss		93		45		163
		237		188		338
	Ps.	600	Ps.	569	Ps.	664

⁽¹⁾ Amortization of unrecognized net transition obligation and amortization of unrecognized prior service costs.

e) Changes in the Balance of the Obligations:

	2010		2009
Pension and Retirement Plans:			
Initial balance	Ps. 2,612	Ps.	2,614
Labor cost	136		136
Interest cost	219		216
Curtailment	129		-
Actuarial loss (gain), net	358		(182)
Benefits paid	(156)		(172)
Ending balance	3,298		2,612
Seniority Premiums:			
Initial balance	166		149
Labor cost	27		25
Interest cost	13		12
Actuarial gain, net	(33)		(8)
Benefits paid	(19)		(12)
Ending balance	154		166
Postretirement Medical Services:			
Initial balance	191		183
Labor cost	8		7
Interest cost	16		15
Curtailment	8		-
Actuarial loss (gain), net	21		(2)
Benefits paid	(13)		(12)
Ending balance	231		191
Severance Indemnities:			
Initial balance	535		489
Labor cost	65		61
Interest cost	31		32
Curtailment	1		-
Actuarial loss	74		65
Benefits paid	(153)		(112)
Ending balance	553		535

f) Changes in the Balance of the Trust Assets:

	2010		2009
Initial balance	Ps. 1,183	Ps.	893
Actual return on trust assets	114		299
Life annuities ⁽¹⁾	264		-
Benefits paid	(17)		(9)
Ending balance	1,544		1,183

⁽¹⁾ Life annuities acquired from *Allianz Mexico*.

g) Variation in Health Care Assumptions:

The following table presents the impact to the postretirement medical service obligations and the expenses recorded in the income statement with a variation of 1% in the assumed health care cost trend rates.

		Impact of Changes:	
		+1%	-1%
Postretirement medical services obligation	Ps. 35	Ps.	(28)
Cost for the year	5		(3)

Note 17. Bonus Program.

The bonus program for executives is based on complying with certain goals established annually by management, which include quantitative and qualitative objectives and special projects.

The quantitative objectives represent approximately 50% of the bonus and are based on the Economic Value Added ("EVA") methodology. The objective established for the executives at each entity is based on a combination of the EVA per entity and the EVA generated by the Company, calculated at approximately 70% and 30%, respectively. The qualitative objectives and special projects represent the remaining 50% of the annual bonus and are based on the critical success factors established at the beginning of the year for each executive.

In addition, the Company provides a defined contribution plan of share compensation to certain key executives, consisting of an annual cash bonus to purchase FEMSA shares or options, based on the executive's responsibility in the organization, their business' EVA result achieved, and their individual performance. The acquired shares or options are deposited in a trust, and the executives may access them one year after they are vested at 20% per year. The 50% of Coca-Cola FEMSA's annual executive bonus is to be used to purchase FEMSA shares or options and the remaining 50% to purchase Coca-Cola FEMSA shares or options. As of December 31, 2010, 2009 and 2008, no options have been granted to employees under the plan.

As of April 30, 2010, the trust linked to FEMSA Cerveza executives was liquidated, as a result 230,642 of FEMSA UBD shares and 27,339 of KOF L shares granted to FEMSA Cerveza executives were vested as part of the share exchange of FEMSA Cerveza.

The incentive plan target is expressed in months of salary, and the final amount payable is computed based on a percentage of compliance with the goals established every year. The bonuses are recorded in income from operations and are paid in cash the following year. During the years ended December 31, 2010, 2009 and 2008, the bonus expense recorded amounted to Ps. 1,016 Ps. 1,210 and Ps. 1,050, respectively.

All shares held in trust are considered outstanding for earnings per share purposes and dividends on shares held by the trusts are charged to retained earnings.

As of December 31, 2010 and 2009, the number of shares held by the trust is as follows:

	FEMSA UBD		Number of Shares		KOF L
	2010	2009	2010	2009	
Beginning balance	10,514,672	8,992,423	3,035,008	2,451,977	
Shares granted to executives	3,700,050	4,384,425	989,500	1,340,790	
Shares released from trust to executives upon vesting	(3,863,904)	(2,775,853)	(975,132)	(742,249)	
Forfeitures	(153,311)	(86,323)	-	(15,510)	
Ending balance	10,197,507	10,514,672	3,049,376	3,035,008	

The fair value of the shares held by the trust as of the end of December 31, 2010 and 2009 was Ps. 857 and Ps. 920, respectively, based on quoted market prices of those dates.

Note 18. Bank Loans and Notes Payable.

(in millions of Mexican pesos)	At December 31, ⁽¹⁾					2016 and Thereafter	2010	Fair Value	2009 ⁽¹⁾
	2011	2012	2013	2014	2015				
Short-term debt:									
Variable rate debt:									
Colombian pesos									
Bank loans	1,072	-	-	-	-	-	1,072	1,072	496
Interest rate	4.4%						4.4%		4.9%
Argentine pesos									
Bank loans	506	-	-	-	-	-	506	506	1,179
Interest rate	15.3%						15.3%		20.7%
Mexican pesos									
Bank loans									1,400
Interest rate									8.2%
Venezuelan bolivars									
Bank loans									741
Interest rate									18.1%
Total short-term debt	1,578						1,578	1,578	3,816

⁽¹⁾ All interest rates are weighted average annual rates.

(in millions of Mexican pesos)	At December 31, ⁽¹⁾						2010	Fair Value	2009 ⁽¹⁾
	2011	2012	2013	2014	2015	2016 and Thereafter			
Long-term debt:									
Fixed rate debt:									
Argentine pesos									
Bank loans	62	622	-	-	-	-	684	684	69
Interest rate	20.5%	16.1%					16.5%		20.5%
Brazilian reais									
Bank loans	4	9	15	15	14	45	102	102	-
Interest rate	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%		-
U.S. dollars									
Yankee Bond						6,179	6,179	6,179	-
Interest rate						4.6%	4.6%		-
Capital leases	4	-	-	-	-	-	4	4	15
Interest rate	3.8%						3.8%		3.8%
Mexican pesos									
Units of investment (UDIs)						3,193	3,193	3,193	2,964
Interest rate						4.2%	4.2%		4.2%
Domestic senior notes									1,000
Interest rate									10.4%
Bank loans									1,000
Interest rate									9.3%
Subtotal	70	631	15	15	14	9,417	10,162	10,162	5,048
Variable rate debt:									
U.S. dollars									
Bank loans	-	37	185	-	-	-	222	222	2,873
Interest rate		0.5%	0.6%				0.6%		0.5%
Mexican pesos									
Domestic senior notes	1,500	3,000	3,500	-	-	-	8,000	7,945	10,000
Interest rate	4.9%	4.8%	4.8%				4.8%		5.0%
Bank loans	-	67	267	1,392	2,824	-	4,550	4,550	8,062
Interest rate		5.1%	5.1%	5.1%	5.1%		5.1%		6.3%
Colombian pesos									
Bank loans	155	839	-	-	-	-	994	994	-
Interest rate	4.7%	4.7%					4.7%		
Subtotal	1,655	3,943	3,952	1,392	2,824	-	13,766	13,711	20,935
Total long-term debt	1,725	4,574	3,967	1,407	2,838	9,417	23,928	23,873	25,983
Current portion of long-term debt							(1,725)		(4,723)
							Ps. 22,203		Ps. 21,260

⁽¹⁾ All interest rates are weighted average annual rates.

Derivative Financial Instruments ⁽¹⁾	2011	2012	2013	2014	2015	2016 and Thereafter	2010	2009
(notional amounts in millions of Mexican pesos)								
Cross currency swaps:								
Units of investments to Mexican pesos and variable rate:						2,500	2,500	2,500
Interest pay rate						4.7%	4.7%	4.8%
Interest receive rate						4.2%	4.2%	4.2%
Interest rate swap:								
Mexican pesos								
Variable to fixed rate:	-	1,600	2,500	-	1,160	-	5,260	5,012
Interest pay rate		8.1%	8.1%		8.4%		8.1%	8.9%
Interest receive rate		4.8%	4.8%		5.1%		4.9%	4.9%
U.S. dollars								
Variable to fixed rate:								1,632
Interest pay rate								3.1%
Interest receive rate								0.5%

⁽¹⁾ All interest rates are weighted average annual rates.

On December 4, 2007, the Company obtained the approval from the National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores or "CNBV") for the issuance of long-term domestic senior notes ("Certificados Bursátiles") in the amount of Ps. 10,000 (nominal amount) or its equivalent in investment units. As of December 31, 2010, the Company has issued the following domestic senior notes: i) on December 7, 2007, the Company issued domestic senior notes composed of Ps. 3,500 (nominal amount) with a maturity date on November 29, 2013 and a floating interest rate; ii) on December 7, 2007, the Company issued domestic senior notes in the amount of 637,587,000 investment units (Ps. 2,500 nominal amount), with a maturity date on November 24, 2017 and a fixed interest rate, iii) on May 26, 2008, the Company issued domestic senior notes composed of Ps. 1,500 (nominal amount), with a maturity date on May 23, 2011 and a floating interest rate.

Additionally, Coca-Cola FEMSA has the following domestic senior notes: a) issued in the Mexican stock exchange, Ps. 3,000 (nominal amount) with a maturity date in 2012 and a variable rate; b) issued in the NYSE a Yankee Bond of \$500 with a bearing interest at a fixed rate of 4.6% and maturity date on February 15, 2020.

The Company has financing from different institutions under agreements that stipulate different restrictions and covenants, which mainly consist of maximum levels of leverage and capitalization as well as minimum consolidated net worth and debt and interest coverage ratios. As of the date of these consolidated financial statements, the Company was in compliance with all restrictions and covenants contained in its financing agreements.

Note 19. Other Expenses, Net.

	2010		2009		2008	
Employee profit sharing (see Note 5 S)	Ps.	785	Ps.	1,020	Ps.	803
Sale of shares (see Note 6 B)		(1,554)		(35)		(85)
Brazil tax amnesty (see Note 24 A)		(179)		(311)		-
Vacation provision		-		333		-
Write-off of long-lived assets ⁽¹⁾		9		129		378
Severance payments associated with an ongoing benefit ⁽²⁾		583		127		175
Loss on sale of long-lived assets		215		177		166
Donations		195		116		101
Contingencies		104		152		174
Amortization of unrecognized actuarial loss, net (see Note 3 K)		-		-		163
Other		124		169		144
Total	Ps.	282	Ps.	1,877	Ps.	2,019

⁽¹⁾ Charges related to fixed assets retirement from ordinary operations and other long-lived assets.

Note 20. Fair Value of Financial Instruments.

The Company uses a three level fair value hierarchy to prioritize the inputs used to measure fair value. The three levels of inputs are described as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- **Level 2:** inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3:** are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The Company measures the fair value of its financial assets and liabilities classified as level 2, applying the income approach method, which estimates the fair value based on expected cash flows discounted to net present value. The following table summarizes financial assets and liabilities measured at fair value, as of December 31, 2010 and 2009:

	2010		2009	
	Level 1	Level 2	Level 1	Level 2
Cash equivalents	Ps. 19,770		Ps. 9,950	
Marketable securities	66		2,113	
Pension plan trust assets	1,544		1,183	
Derivative financial instruments (asset)		Ps. 732		Ps. 507
Derivative financial instruments (liability)		694		598

The Company does not use inputs classified as level 3 for fair value measurement.

a) Total Debt:

The fair value of long-term debt is determined based on the discounted value of contractual cash flows, in which the discount rate is estimated using rates currently offered for debt of similar amounts and maturities. The fair value of notes is based on quoted market prices.

	2010	2009
Carrying value	Ps. 25,506	Ps. 29,799
Fair value	25,451	29,673

b) Interest Rate Swaps:

The Company uses interest rate swaps to offset the interest rate risk associated with its borrowings, pursuant to which it pays amounts based on a fixed rate and receives amounts based on a floating rate. These instruments are recognized in the consolidated balance sheet at their estimated fair value and have been designated as a cash flow hedge. The estimated fair value is based on formal technical models. Changes in fair value were recorded in cumulative other comprehensive income until such time as the hedged amount is recorded in earnings.

At December 31, 2010, the Company has the following outstanding interest rate swap agreements:

Maturity Date	Notional Amount	Fair Value Asset (Liability)
2011	Ps. -	Ps. -
2012	1,600	(57)
2013	3,812	(185)
2014	575	(24)
2015 and thereafter	1,963	(152)

A portion of certain interest rate swaps do not meet the hedging criteria for accounting purposes; consequently, changes in the estimated fair value of the ineffective portion were recorded in the consolidated results as part of the comprehensive financing result.

The net effect of expired contracts that met hedging criteria is recognized as interest expense as part of the comprehensive financing result.

c) Forward Agreements to Purchase Foreign Currency:

The Company enters into forward agreements to reduce its exposure to the risk of exchange rate fluctuations between the Mexican peso and other currencies. These instruments are recognized in the consolidated balance sheet at their estimated fair value which is determined based on prevailing market exchange rates to end the contracts at the end of the period. For contracts that meet hedging criteria, the changes in the fair value are recorded in cumulative other comprehensive income prior to expiration. Net gain/loss on expired contracts is recognized as part of foreign exchange.

Net changes in the fair value of forward agreements that do not meet hedging criteria for accounting purposes are recorded in the consolidated results as part of the comprehensive financing result. The net effect of expired contracts that do not meet hedging criteria for accounting purposes is recognized as a market value gain/loss on the ineffective portion of derivative financial instruments.

d) Cross Currency Swaps:

The Company enters into cross currency swaps to reduce its exposure to risks of exchange rate and interest rate fluctuations associated with its borrowings denominated in U.S. dollars and other foreign currencies. These instruments are recognized in the consolidated balance sheet at their estimated fair value which is estimated based on formal technical models. These contracts are designated as fair value hedges. The fair value changes related to those cross currency swaps were recorded as part of the ineffective portion of derivative financial instruments, net of changes related to the long-term liability.

Net changes in the fair value of current and expired cross currency swaps contracts that did not meet the hedging criteria for accounting purposes are recorded as a gain/loss in the market value on the ineffective portion of derivative financial instruments in the consolidated results as part of the comprehensive financing result.

e) Commodity Price Contracts:

The Company enters into commodity price contracts to reduce its exposure to the risk of fluctuation in the costs of certain raw material. The fair value is estimated based on the market valuations to end of the contracts at the date of closing of the period. Changes in the fair value were recorded in cumulative other comprehensive income.

Changes in the fair value of expired commodity price contracts were recorded in cost of sales.

f) Embedded Derivative Financial Instruments:

The Company has determined that its leasing contracts denominated in U.S. dollars host embedded derivative financial instruments. The fair value is estimated based on formal technical models. Changes in the fair value were recorded in current earnings in the comprehensive financing result as market value on derivative financial instruments.

g) Notional Amounts and Fair Value of Derivative Instruments that Met Hedging Criteria:

	Notional Amounts		Fair Value	
			2010	2009
CASH FLOW HEDGE:				
Assets:				
Forward agreements	Ps.	578	Ps. 2⁽¹⁾	Ps. -
Commodity price contracts		451	445⁽²⁾	133
Interest rate swaps				3
Liabilities:				
Forward agreements	Ps.	1,690	Ps. 18⁽¹⁾	Ps. -
Interest rate swaps		7,950	418⁽³⁾	213
FAIR VALUE HEDGE:				
Assets:				
Cross currency swaps	Ps.	2,500	Ps. 717	Ps. 480

⁽¹⁾ Expires in 2011.⁽²⁾ Maturity dates between 2011 and 2012.⁽³⁾ Maturity dates in 2012 and 2015.**h) Net Effects of Expired Contracts that Met Hedging Criteria:**

Types of Derivatives	Impact in Income Statement Gain (Loss)	2010	2009	2008
Interest rate swaps	Interest expense	Ps. (181)	Ps. (67)	Ps. 44
Forward agreements	Foreign exchange	27	-	-
Cross currency swaps	Foreign exchange/ interest expense	2	(32)	(73)
Commodity price contract	Cost of sales	393	247	2

i) Net Effect of Changes in Fair Value of Derivative Financial Instruments that Did Not Meet the Hedging Criteria for Accounting Purposes:

Types of Derivatives	Impact in Income Statement	2010	2009	2008
Interest rate swaps	Market value gain (loss)	Ps. (7)	Ps. -	Ps. 24
Forwards for purchase of foreign currency	on ineffective portion of	-	(63)	(705)
Cross currency swaps	derivative financial instruments	205	168	(200)

j) Net Effect of Changes in Fair Value of Other Derivative Financial Instruments that Did Not Meet the Hedging Criteria for Accounting Purposes:

Types of Derivatives	Impact in Income Statement	2010	2009	2008
Embedded derivative financial instruments	Market value gain (loss) on ineffective portion of derivative financial instruments	Ps. 15	Ps. 19	Ps. (68)
Others		(1)	-	(1)

Note 21. Noncontrolling Interest in Consolidated Subsidiaries.

An analysis of FEMSA's noncontrolling interest in its consolidated subsidiaries for the years ended December 31, 2010 and 2009, is as follows:

	2010	2009
Coca-Cola FEMSA	Ps. 35,585	Ps. 32,918
FEMSA Cerveza	-	1,219
Other	80	55
	Ps. 35,665	Ps. 34,192

Note 22. Stockholders' Equity.

The capital stock of FEMSA is comprised of 2,161,177,770 BD units and 1,417,048,500 B units.

As of December 31, 2010 and 2009, the capital stock of FEMSA was comprised of 17,891,131,350 common shares, without par value and with no foreign ownership restrictions. Fixed capital stock amounts to Ps. 300 (nominal value) and the variable capital may not exceed 10 times the minimum fixed capital stock amount.

The characteristics of the common shares are as follows:

- Series "B" shares, with unlimited voting rights, which at all times must represent a minimum of 51% of total capital stock;
- Series "L" shares, with limited voting rights, which may represent up to 25% of total capital stock; and
- Series "D" shares, with limited voting rights, which individually or jointly with series "L" shares may represent up to 49% of total capital stock.

The Series "D" shares are comprised as follows:

- Subseries "D-L" shares may represent up to 25% of the series "D" shares;
- Subseries "D-B" shares may comprise the remainder of outstanding series "D" shares; and
- The non-cumulative premium dividend to be paid to series "D" stockholders will be 125% of any dividend paid to series "B" stockholders.

The Series "B" and "D" shares are linked together in related units as follows:

- "B units" each of which represents five series "B" shares and which are traded on the BMV;
- "BD units" each of which represents one series "B" share, two subseries "D-B" shares and two subseries "D-L" shares, and which are traded both on the BMV and the NYSE;

The Company's statutes addressed that in May 2008, shares structure established in 1998 would be modified, unlinking subseries "D-B" into "B" shares and unlinking subseries "D-L" into "L" shares.

At an ordinary stockholders' meeting of FEMSA held on April 22, 2008, it was approved to modify the Company's statutes in order to preserve the unitary shares structure of the Company established on May 1998, and also to maintain the shares structure established after May 11, 2008.

As of December 31, 2010 and 2009, FEMSA's capital stock is comprised as follows:

	"B" Units	"BD" Units	Total
Units	1,417,048,500	2,161,177,770	3,578,226,270
Shares:			
Series "B"	7,085,242,500	2,161,177,770	9,246,420,270
Series "D"	-	8,644,711,080	8,644,711,080
Subseries "D-B"	-	4,322,355,540	4,322,355,540
Subseries "D-L"	-	4,322,355,540	4,322,355,540
Total shares	7,085,242,500	10,805,888,850	17,891,131,350

The net income of the Company is subject to the legal requirement that 5% thereof be transferred to a legal reserve until such reserve equals 20% of capital stock at nominal value. This reserve may not be distributed to stockholders during the existence of the Company, except as a stock dividend. As of December 31, 2010, this reserve in FEMSA amounted to Ps. 596 (nominal value).

Retained earnings and other reserves distributed as dividends, as well as the effects derived from capital reductions, are subject to income tax at the rate in effect at the date of distribution, except for restated stockholder contributions and distributions made from consolidated taxable income, denominated "Cuenta de Utilidad Fiscal Neta" ("CUFIN").

Dividends paid in excess of CUFIN are subject to income tax at a grossed-up rate based on the current statutory rate. Since 2003, this tax may be credited against the income tax of the year in which the dividends are paid and in the following two years against the income tax and estimated tax payments. As of December 31, 2010, FEMSA's balances of CUFIN amounted to Ps. 55,369.

At the ordinary stockholders' meeting of FEMSA held on April 26, 2010, stockholders approved dividends of Ps. 0.12966 Mexican pesos (nominal value) per series "B" share and Ps. 0.16208 Mexican pesos (nominal value) per series "D" share that were paid in May and November, 2010. Additionally, the stockholders approved a reserve for share repurchase of a maximum of Ps. 3,000.

As of December 31, 2010, the Company has not repurchased shares.

At an ordinary stockholders' meeting of Coca-Cola FEMSA held on April 14, 2010, the stockholders approved a dividend of Ps. 2,604 that was paid in April 2010. The corresponding payment to the noncontrolling interest was Ps. 1,205.

As of December 31, 2010, 2009 and 2008 the dividends paid by the Company and Coca-Cola FEMSA were as follows:

	2010		2009		2008	
FEMSA	Ps.	2,600	Ps.	1,620	Ps.	1,620
Coca-Cola FEMSA (100% of dividend)		2,604		1,344		945

Note 23. Net Controlling Interest Income per Share.

This represents the net controlling interest income corresponding to each share of the Company's capital stock, computed on the basis of the weighted average number of shares outstanding during the period. Additionally, the net income distribution is presented according to the dividend rights of each share series.

The following presents the computed weighted average number of shares and the distribution of income per share series as of December 31, 2010, 2009 and 2008:

	Millions of Shares			
	Series "B"		Series "D"	
	Number	Weighted Average	Number	Weighted Average
Shares outstanding as of December 31, 2010, 2009 and 2008	9,246.42	9,246.42	8,644.71	8,644.71
Dividend rights	1.00		1.25	
Allocation of earnings	46.11%		53.89%	

Note 24 Taxes.

a) Income Tax:

Income tax is computed on taxable income, which differs from net income for accounting purposes principally due to the treatment of the comprehensive financing result, the cost of labor liabilities, depreciation and other accounting provisions. A tax loss may be carried forward and applied against future taxable income.

	2010		Domestic 2009		2008		2010		Foreign 2009		2008	
Income before income tax from continuing operations	Ps.	13,585	Ps.	10,278	Ps.	8,422	Ps.	12,356	Ps.	7,549	Ps.	3,455
Income tax:												
Current income tax		2,643		2,839		2,718		2,211		2,238		1,727
Deferred income tax		264		(401)		(1,310)		553		283		(27)

The difference to sum consolidated income before income tax is mainly dividends which are eliminated in the consolidated financial statement of the Company. The income tax paid in foreign countries is compensated with the consolidated income tax paid in Mexico for the period.

	2010		Domestic 2009		2008		2010		Foreign 2009		2008	
Income before income tax from discontinued operations	Ps.	306	Ps.	2,688	Ps.	3,868	Ps.	442	Ps.	(456)	Ps.	(1,121)
Income tax:												
Current income tax		210		1,568		2,212		92		(45)		9
Deferred income tax		(260)		(508)		(1,122)		-		(2,066) ⁽¹⁾		-

⁽¹⁾ Application of tax loss carryforwards due to amnesty adoption.

The statutory income tax rates applicable in the countries where the Company operates, the years in which tax loss carryforwards may be applied and the open periods that remain subject to examination as of December 31, 2010 are as follows:

	Statutory Tax Rate	Expiration (Years)	Open Period (Years)
Mexico	30%	10	5
Guatemala	31%	N/A	4
Nicaragua	30%	3	4
Costa Rica	30%	3	4
Panama	27.5%	5	3
Colombia	33%	Indefinite	2-5
Venezuela	34%	3	4
Brazil	34%	Indefinite	6
Argentina	35%	5	5

The statutory income tax rate in Mexico was 30% for 2010, and 28% for 2009 and 2008.

In Panama, the statutory income tax rate for 2010 was 27.5% and 30% for 2009 and 2008.

On January 1, 2010, the Mexican Tax Reform was effective. The most important changes are described as follows: the value added tax rate (IVA) increases from 15% to 16%, an increase in special tax on productions and services from 25% to 26.5%; and the statutory income tax rate changes from 28% in 2009 to 30% for 2010, 2011 and 2012, and then in 2013 and 2014 will decrease to 29% and 28%, respectively. Additionally, the Mexican tax reform requires that income tax payments related to consolidation tax benefits obtained since 1999, have to be paid during the next five years beginning on the sixth year when tax benefits were used (see Note 24 D and E).

In Colombia, tax losses may be carried forward for an indefinite period and they are limited to 25% of the taxable income of each year.

In Brazil, tax losses may be carried forward for an indefinite period but cannot be restated and are limited to 30% of the taxable income of each year.

During 2009 and 2010, Brazil adopted new laws providing for certain tax amnesties. The tax amnesty programs offers Brazilian legal entities and individuals an opportunity to pay off their income tax and indirect tax debts under less stringent conditions than would normally apply. The amnesty programs also include a favorable option under which taxpayers may utilize income tax loss carry-forwards ("NOLs") when settling certain outstanding income tax and indirect tax debts. Brazilian subsidiary of Coca-Cola FEMSA, decided to participate in the amnesty programs allowing it to settle certain previously accrued indirect tax contingencies. During the years ended, December 31, 2010 and 2009 the Company de-recognized indirect tax contingency accruals of Ps. 333 and Ps. 433 respectively (see Note 25 C), making payments of Ps. 118 and Ps. 243, recording a credit to other expenses of Ps. 179 and Ps. 311 (see Note 19), reversing previously recorded Brazil valuation allowances against NOL's in 2009, and recording certain taxes recoverable.

b) Tax on Assets:

Effective in 2008, the tax on assets has been eliminated in Mexico and it was replaced by the Business Flat Tax (Impuesto Empresarial a Tasa Única, "IETU;" see Note 24 C). The amounts of tax on assets paid corresponding to previous periods to the IETU introduction, can be recovered thru tax returns, only if the income tax is higher than the IETU generated in the same period, to the extent equivalent to 10% of the lesser tax on asset paid during 2007, 2006 or 2005.

The operations in Guatemala, Nicaragua, Colombia and Argentina are also subject to a minimum tax, which is based primarily on a percentage of assets. Any payments are recoverable in future years, under certain conditions.

c) Business Flat Tax ("IETU"):

Effective in 2008, the IETU came into effect in Mexico and replaced the Tax on Assets. IETU functions are similar to an alternative minimum corporate income tax, except that amounts paid cannot be creditable against future income tax payments. The payable tax will be the higher between the IETU or the income tax liability computed under the Mexican income tax law. The IETU applies to individuals and corporations, including permanent establishments of foreign entities in Mexico, at a rate of 17.5% beginning in 2010. The rates for 2008 and 2009 were 16.5% and 17.0%, respectively. The IETU is calculated under a cash-flow basis, whereby the tax base is determined by reducing cash proceeds with certain deductions and credits. In the case of income derived from export sales, where cash on the receivable has not been collected within 12 months, income will be deemed received at the end of this 12-month period. In addition, as opposed to Mexican income tax which allows for fiscal consolidation, companies that incur IETU are required to file their returns on an individual basis.

Based on its financial projections for purposes of its Mexican tax returns, the Company expects to pay corporate income tax in the future and does not expect to pay IETU. As such, the enactment of IETU did not impact the Company's consolidated financial position or results of operations.

d) Deferred Income Tax:

Effective January 2008, in accordance with NIF B-10, "Effects of Inflation," in Mexico the application of inflationary accounting is suspended. However, for taxes purposes, the balance of non monetary assets is restated through the application of National Consumer Price Index (NCPI) of each country. For this reason, the difference between accounting and taxable values will increase, generating a deferred tax.

The impact to deferred income tax generated by liabilities (assets) temporary differences are as follows:

Deferred Income Taxes	2010		2009	
Allowance for doubtful accounts	Ps.	(71)	Ps.	(73)
Inventories		37		(26)
Prepaid expenses		75		70
Property, plant and equipment		1,418		1,596
Investments in shares		161		(26)
Intangibles and other assets		(458)		(418)
Amortized intangible assets		197		27
Unamortized intangible assets		1,769		2,264
Labor liabilities		(448)		(429)
Derivative financial instruments		8		40
Loss contingencies		(703)		(805)
Temporary non-deductible provision		(999)		(1,426)
Employee profit sharing payable		(125)		(137)
Recoverable tax on assets		-		48
Tax loss carryforwards		(988)		(1,867)
Deferred tax from exchange of shares of FEMSA Cerveza (see Note 2)		10,099		-
Other reserves		249		502
Deferred income taxes, net		10,221		(660)
Deferred income taxes asset		346		1,527
Deferred income taxes liability	Ps.	10,567	Ps.	867

The changes in the balance of the net deferred income tax liability are as follows:

	2010		2009		2008
Initial balance	Ps. (660)	Ps.	670	Ps.	546
Tax provision for the year	875		(31)		(1,337)
Change in the statutory rate	(58)		(87)		-
Deferred tax from the exchange of shares of FEMSA (see Note 2)	10,099		-		-
Usage of tax losses related to exchange of FEMSA Cerveza (see Note 2)	280		-		-
Effect of tax loss carryforwards ⁽¹⁾	-		(1,874)		-
Disposal of subsidiaries	(34)		-		-
Effects in stockholders' equity:					
Additional labor liability over unrecognized transition obligation	-		-		129
Derivative financial instruments	75		80		(29)
Cumulative translation adjustment	(352)		609		1,263
Retained earnings	(38)		-		-
Deferred tax cancellation due to change in accounting principle	-		(71)		-
Restatement effect of beginning balances	34		44		98
Ending balance	Ps. 10,221	Ps.	(660)	Ps.	670

⁽¹⁾ Effect due to 2010 Mexican tax reform, which deferred taxes were reclassified to other current liabilities and other liabilities according to its maturity.

e) Provision for the Year:

	2010		2009		2008
Current income taxes	Ps. 4,854	Ps.	5,077	Ps.	4,445
Deferred income tax	875		(31)		(1,337)
Change in the statutory rate ⁽¹⁾	(58)		(87)		-
Income taxes and tax on assets	Ps. 5,671	Ps.	4,959	Ps.	3,108

⁽¹⁾ Effect due to 2010 Mexican tax reform.

f) Tax Loss Carryforwards and Recoverable Tax on Assets:

The subsidiaries in Mexico and Brazil have tax loss carryforwards and/or recoverable tax on assets. The taxes effect net of consolidation benefits and their years of expiration are as follows:

Year	Tax Loss Carryforwards	Recoverable Tax on Assets
2011	Ps. 185	Ps. 2
2012	-	-
2013	-	26
2014	-	50
2015	-	2
2016	255	2
2017	254	102
2018 and thereafter	2,221	-
No expiration (Brazil, see Note 24 A)	457	-
	3,372	184
Tax losses used in consolidation	(2,620)	(133)
	Ps. 752	Ps. 51

The changes in the balance of tax loss carryforwards and recoverable tax on assets, excluding discontinued operations are as follows:

	2010		2009
Initial balance	Ps. 1,425	Ps.	2,610
Provision	18		491
Usage of tax losses	(600)		(1,714)
Translation effect of beginning balances	(40)		38
Ending balance	Ps. 803	Ps.	1,425

As of December 31, 2010, there is not valuation allowance recorded due to the uncertainty related to the realization of certain tax loss carryforwards and tax on assets. The changes in the valuation allowance are as follows:

	2010		2009	
Initial balance	Ps.	1	Ps.	183
Provision		-		-
Usage of tax losses carryforwards		-		(195)
Translation of foreign currency effect		(1)		13
Ending balance	Ps.	-	Ps.	1

g) Reconciliation of Mexican Statutory Income Tax Rate to Consolidated Effective Income Tax Rate:

	2010	2009	2008
Mexican statutory income tax rate	30.0%	28.0%	28.0%
Difference between book and tax inflationary effects	(3.9)%	(1.8)%	-
Difference between statutory income tax rates	1.2%	2.4%	2.1%
Non-taxable income	(2.4)%	(0.2)%	(0.6)%
Other	(0.9)%	1.2%	(0.6)%
	24.0%	29.6%	28.9%

Note 25. Other Liabilities, Contingencies and Commitments.

a) Other Current Liabilities:

	2010		2009	
Derivative financial instruments	Ps.	41	Ps.	45
Sundry creditors		1,681		1,542
Current portion of other long-term liabilities		276		269
Short-term financing ⁽¹⁾		-		66
Others		37		-
Total	Ps.	2,035	Ps.	1,922

⁽¹⁾ Represents current portion of financing between FEMSA Holding and Cervecería Cuauhtémoc Moctezuma. Before the exchange of FEMSA Cerveza this short term financing was eliminated as part of consolidation.

b) Other Liabilities:

	2010		2009	
Contingencies	Ps.	2,712 ⁽¹⁾	Ps.	2,467
Taxes payable		872		1,428
Derivative financial instruments		653		553
Current portion of other long-term liabilities		(276)		(269)
Others		1,435		1,678
Total	Ps.	5,396	Ps.	5,857

⁽¹⁾ Includes Ps. 560 of tax loss contingencies regarding indemnification accorded with Heineken over FEMSA Cerveza prior tax contingencies.

c) Contingencies Recorded in the Balance Sheet:

The Company has various loss contingencies, and reserves have been recorded in those cases where the Company believes an unfavorable resolution is probable. Most of these loss contingencies were recorded as a result of recent business acquisitions. The following table presents the nature and amount of the loss contingencies recorded as of December 31, 2010:

	Total
Indirect tax	Ps. 1,359
Labor	1,133
Legal	220
Total	Ps. 2,712

Changes in the Balance of Contingencies Recorded:

	2010		2009
Initial balance	Ps. 2,467	Ps.	2,076
Provision	716		475
Penalties and other charges	376		258
Reversal of provision	(205)		(241)
Payments	(211)		(190)
Amnesty adoption	(333)		(433)
Translation of foreign currency of beginning balance	(98)		522
Ending balance	Ps. 2,712	Ps.	2,467

d) Unsettled Lawsuits:

The Company has entered into legal proceedings with its labor unions, tax authorities and other parties that primarily involve Coca-Cola FEMSA. These proceedings have resulted in the ordinary course of business and are common to the industry in which the Company operates. The aggregate amount being claimed against the Company resulting from such proceedings as of December 31, 2010 is Ps. 5,767. Such contingencies were classified by legal counsel as less than probable but more than remote of being settled against the Company. However, the Company believes that the ultimate resolution of such legal proceedings will not have a material adverse effect on its consolidated financial position or result of operations.

In recent years in its Mexican, Costa Rican and Brazilian territories, Coca-Cola FEMSA has been requested to present certain information regarding possible monopolistic practices. These requests are commonly generated in the ordinary course of business in the soft drink industry where this subsidiary operates. The Company does not expect any significant liability to arise from these contingencies.

e) Collateralized Contingencies:

As is customary in Brazil, the Company has been requested by the tax authorities to collateralize tax contingencies currently in litigation amounting to Ps. 2,292 by pledging fixed assets and entering into available lines of credit which cover such contingencies.

f) Commitments:

As of December 31, 2010, the Company has operating lease commitments for the rental of production machinery and equipment, distribution equipment, computer equipment and land for FEMSA Comercio's operations.

The contractual maturities of the lease commitments by currency, expressed in Mexican pesos as of December 31, 2010, are as follows:

	Mexican Pesos		U.S. Dollars		Other
2011	Ps.	2,014	Ps.	94	Ps. 105
2012		1,906		95	109
2013		1,820		79	34
2014		1,706		78	8
2015		1,636		764	8
2016 and thereafter		8,298		-	8
Total	Ps.	17,380	Ps.	1,110	Ps. 272

Rental expense charged to operations amounted to approximately Ps. 2,602 Ps. 2,255 and Ps. 1,816 for the years ended December 31, 2010, 2009 and 2008, respectively.

Note 26. Information by Segment.

Analytical information by segment is presented considering the business units and geographic areas in which the Company operates, and is presented according to the information used for decision-making of the administration.

The information presented is based on the Company's accounting policies. Intercompany operations are eliminated and presented within the consolidation adjustment column.

The information by business unit operation and geographic area for the years ended December 31, 2010, 2009 and 2008, have been modified as a result of the discontinued operations (see Note 2).

a) By Business Unit:

2010	Coca-Cola FEMSA	FEMSA Comercio	CB Equity	Other ⁽¹⁾	Consolidation Adjustments	Consolidated
Total revenue	Ps. 103,456	Ps. 62,259	Ps. -	Ps. 12,010	Ps. (8,023)	Ps. 169,702
Intercompany revenue	1,642	2	-	6,379	(8,023)	-
Income from operations	17,079	5,200	(3)	253	-	22,529
Depreciation ⁽²⁾	3,333	990	-	204	-	4,527
Amortization	403	545	-	27	-	975
Other non-cash charges ^{(3) (4)}	207	62	-	117	-	386
Write-off of long-lived assets	7	-	-	2	-	9
Interest expense	1,748	917	-	951	(351)	3,265
Interest income	285	25	2	1,143	(351)	1,104
Equity method from associates	217	-	3,319	2	-	3,538
Income taxes	4,260	499	208	704	-	5,671
Capital expenditures	7,478	3,324	-	369	-	11,171
Net cash flows provided by (used in) operating activities	14,350	6,704	-	(3,252)	-	17,802
Net cash flows (used in) provided by investment activities	(6,845)	(3,288)	553	15,758	-	6,178
Net cash flow (used in) financing activities	(2,011)	(819)	(504)	(7,162)	-	(10,496)
Long-term assets	87,625	14,655	66,478	4,785	(1,425)	172,118
Total assets	114,061	23,677	67,010	27,705	(8,875)	223,578
2009	Coca-Cola FEMSA	FEMSA Comercio		Other ⁽¹⁾	Consolidation Adjustments	Consolidated
Total revenue	Ps. 102,767	Ps. 53,549	Ps. 10,991	Ps. (7,056)	Ps. 160,251	
Intercompany revenue	1,277	2	5,777	(7,056)	-	
Income from operations	15,835	4,457	838	-	21,130	
Depreciation ⁽²⁾	3,473	819	99	-	4,391	
Amortization	307	461	30	-	798	
Other non-cash charges ^{(3) (4)}	368	49	247	-	664	
Write-off of long-lived assets	124	-	5	-	129	
Interest expense	1,895	954	1,594	(432)	4,011	
Interest income	286	27	1,324	(432)	1,205	
Equity method from associates	142	-	(10)	-	132	
Income taxes	4,043	544	372	-	4,959	
Capital expenditures	6,282	2,668	153	-	9,103	
Net cash flows provided by operating activities	16,663	4,339	1,742	-	22,744	
Net cash flows (used in) provided by investment activities	(8,900)	(2,634)	158	-	(11,376)	
Net cash flow (used in) provided by financing activities	(6,029)	(346)	(1,514)	-	(7,889)	
Long-term assets ⁽⁵⁾	87,022	12,378	20,754	(4,779)	115,375	
Total assets ⁽⁵⁾	110,661	19,693	31,346	(8,062)	153,638	

⁽¹⁾ Includes other companies (see Note 1) and corporate.

⁽²⁾ Includes bottle breakage.

⁽³⁾ Equivalent to non-cash operating expenses as presented in the Consolidated Statement of Cash Flows.

⁽⁴⁾ Includes the cost for the period related to labor liabilities (see Note 16 D).

⁽⁵⁾ Consolidated long-term assets and consolidated total assets presented in this table do not match to those figures presented in the consolidated statements of financial position due to discontinued operations.

2008	Coca-Cola FEMSA	FEMSA Comercio	Other ⁽¹⁾	Consolidation Adjustments	Consolidated
Total revenue	Ps. 82,976	Ps. 47,146	Ps. 9,401	Ps. (5,715)	Ps. 133,808
Intercompany revenue	1,009	2	4,704	(5,715)	-
Income from operations	13,695	3,077	577	-	17,349
Depreciation ⁽²⁾	3,036	663	63	-	3,762
Amortization	240	422	27	-	689
Other non-cash charges ^{(3) (4)}	145	46	104	-	295
Write-off of long-lived assets	371	-	7	-	378
Interest expense	2,207	665	1,254	(303)	3,823
Interest income	433	27	708	(303)	865
Equity method from associates	104	-	(14)	-	90
Income taxes	2,486	351	271	-	3,108
Capital expenditures	4,802	2,720	294	-	7,816
Net cash flows provided by operating activities	11,901	3,201	921	-	16,023
Net cash flows used in investment activities	(7,299)	(2,718)	(1,250)	-	(11,267)
Net cash flow (used in) provided by financing activities	(5,261)	870	(1,152)	-	(5,543)

⁽¹⁾ Includes other companies (see Note 1) and corporate.

⁽²⁾ Includes bottle breakage.

⁽³⁾ Equivalent to non-cash operating expenses as presented in the Consolidated Statement of Cash Flows.

⁽⁴⁾ Includes the cost for the period related to labor liabilities (see Note 16 D).

b) By Geographic Area:

The Company's operations are grouped in the following divisions: (i) Mexico division; (ii) Latincentro division, which is comprised of the territories operated in Central America and Colombia; (iii) Venezuela; (iv) Mercosur division, which is comprised of the territories operated in Brazil and Argentina; and (v) Europe.

Venezuela operates in an economy with exchange controls. As a result, Bulletin B-5 "Information by Segments" does not allow its integration into another geographical segment.

2010	Total Revenue	Capital Expenditures	Long-Lived Assets	Total Assets
Mexico	Ps. 105,448	Ps. 6,297	Ps. 64,310	Ps. 100,657
Latincentro ⁽¹⁾	17,492	1,773	18,982	22,162
Venezuela	14,048	505	5,469	7,882
Mercosur ⁽²⁾	33,409	2,596	16,879	27,418
Europe	-	-	66,478	67,010
Consolidation adjustments	(695)	-	-	(1,551)
Consolidated	Ps. 169,702	Ps. 11,171	Ps. 172,118	Ps. 223,578

2009 ⁽³⁾	Total Revenue	Capital Expenditures	Long-Lived Assets	Total Assets
Mexico	Ps. 94,819	Ps. 5,484	Ps. 73,563	Ps. 98,404
Latincentro ⁽¹⁾	16,211	1,298	17,992	20,635
Venezuela	22,448	1,253	8,945	13,746
Mercosur ⁽²⁾	27,604	1,068	14,875	23,158
Consolidation adjustments	(831)	-	-	(2,305)
Consolidated	Ps. 160,251	Ps. 9,103	Ps. 115,375	Ps. 153,638

2008 ⁽³⁾	Total Revenue	Capital Expenditures	Long-Lived Assets	Total Assets
Mexico	Ps. 84,920	Ps. 4,780	Ps. 63,398	Ps. 83,142
Latincentro ⁽¹⁾	12,853	1,265	16,742	21,150
Venezuela	15,217	722	6,883	9,799
Mercosur ⁽²⁾	21,227	1,049	12,215	17,546
Consolidation adjustments	(409)	-	-	(4,804)
Consolidated	Ps. 133,808	Ps. 7,816	Ps. 99,238	Ps. 126,833

⁽¹⁾ Includes Guatemala, Nicaragua, Costa Rica, Panama and Colombia.

⁽²⁾ Includes Brazil and Argentina.

⁽³⁾ Consolidated and Mercosur long-lived assets and consolidated total assets presented in this table do not match to those figures presented in the consolidated statement of financial position due to discontinued operations.

Note 27. Future Impact of Recently Issued Accounting Standards Not Yet in Effect.

As of the date of issuance of these consolidated financial statements and their accompanying notes, the Company is determining its opening consolidated balance sheet for IFRS and assessing all the possible impacts in its consolidated financial statements. As part of the transition process to IFRS, the Company is reviewing its accounting policies in order to comply with international standards by the transition date.

The following accounting standards have been issued under Mexican FRS; the application of which is required as indicated. Except as otherwise noted, the Company will adopt these standards when they become effective. The Company is in the process of assessing the effect of adopting the new standards, but it does not anticipate any significant impact except as may be described below.

- **NIF B-5 “Financial Information by Segment”**

NIF B-5 establishes that an operating segment shall meet the following criteria: i) the segment engages in business activities from which it earns or is in the process of obtaining revenues, and incurs in the related costs and expenses; ii) the operating results are reviewed regularly by the main authority of the entity's decision maker; and iii) specific financial information is available. NIF B-5 also requires disclosures related to operating segments subject to reporting, including details of earnings, assets and liabilities, reconciliations, information about products and services, and geographical areas. NIF B-5 is effective beginning on January 1, 2011, and this guidance shall be applied retrospectively for comparative purposes.

- **NIF B-9 “Interim Financial Reporting”**

NIF B-9 prescribes the content to be included in a complete or condensed set of financial statements for an interim period. In accordance with this standard, the complete set of financial statements shall include: a) a statement of financial position as of the end of the period, b) an income statement for the period, c) a statement of changes in equity for the period, d) a statement of cash flows for the period, and e) notes providing the relevant accounting policies and other explanatory notes. Condensed financial statements shall include: a) condensed statement of financial position, b) condensed income statement, c) condensed statement of changes in equity, d) condensed statement of cash flows, and e) selected explanatory notes. NIF B-9 is effective beginning on January 1, 2011. Interim financial statements shall be presented in comparative form.

- **NIF C-4 “Inventories”**

NIF C-4 replaces Bulletin C-4, and describes new accounting treatment for inventories. This standard eliminates the option to use “direct costing” as a valuation system; and it does not permit the use of the last-in, first-out (LIFO) formula to measure the cost of inventories. NIF C-4 establishes that the cost of inventories can be modified on the basis of net realizable value. According to this standard, when an entity purchase inventories on deferred settlement terms, the difference between the purchase price for normal credit terms and the amount paid, should be recognized as interest expense. NIF C-4 also requires companies to disclose the amount of any inventory recognized as an expense, when the cost of sales includes other elements or when a part of the cost of sales is included as discontinued operations. In addition, advances to suppliers are no longer part of inventories. When an entity changes the cost formula, this change should be treated as an accounting change. NIF C-4 is effective beginning on January 1, 2011, and has to be applied prospectively.

- **NIF C-5 “Prepaid Expenses”**

NIF C-5 replaces Bulletin C-5, and establishes general rules for recognition of prepaid expenses. This standard excludes from the scope prepaid expenses which are treated in other NIF, as such as: prepaid income taxes, prepaid net assets from pension plans, and prepaid interest expenses. NIF C-5 establishes the cases in which prepaid expenses of inventories or tangible assets, among others, should be presented in the line of “Prepaid Expenses”, instead of the lines of “Inventories” or “Property, Plant and Equipment”. Prepaid expenses should be classified as current or noncurrent. This statement establishes that prepaid expenses shall be recognized as “expense” in the Income Statement when the company receives benefits from the asset; and prepaid expenses shall be recognized as “assets” when the entity is certain that the asset will generate future economic benefits. Additionally, when an impairment loss arises, prepaid expenses shall be recognized in the income statement. NIF C-5 is effective beginning on January 1, 2011, and has to be applied prospectively.

- **NIF C-6 “Property, Plant and Equipment”**

NIF C-6 replaces Bulletin C-6, and establishes general rules for valuation, presentation and disclosures about property, plant and equipment, also known as “fixed assets”. This standard requires entities to recognize and depreciate fixed assets by components, instead of doing as a whole. NIF C-6 also eliminates the requirement to revalue fixed assets acquired with no cost, and states that those assets have to be recognized as an equity contribution with no cost. NIF C-6 is effective beginning on January 1, 2011, and has to be applied prospectively, except for those changes regarding recognition by components, which are effective beginning on January 1, 2012.

- **NIF C-18 “Obligations Associated with the Disposal of Property, Plant and Equipment”**

NIF C-18 contains guidance on accounting for changes in liabilities that have been recognized as part of the cost of a property, plant and equipment under NIF C-6 “Property, plant and equipment” (NIF C-6) and as a provision (liability) under Bulletin C-9 “Liabilities, provisions, contingent assets and liabilities, and commitments” (Bulletin C-9). NIF C-18 establishes: (a) the requirements to be considered for the assessment of a liability associated with the disposal of a component of property, plant and equipment; (b) the requirement to recognize such obligations as a provision that increases the acquisition cost of a component; (c) the methodology to recognize changes to the valuation of these provisions, for revisions to the cash flows, the frequency for its liquidation and the appropriate discount rate that has to be used; (d) the use of an adequate discount rate that includes time value of money and credit risk of the entity; (e) the use of present value to determine the best estimation of provisions; (f) the disclosures that an entity has to present when it has an obligation associated with the disposal of a component. NIF C-18 is effective beginning on January 1, 2011.

Note 28. Subsequent Events.

On February 23, 2011, the Company's Board of Directors agreed to propose an ordinary dividend of Ps. 4,600 which represents an increase of 77% compared to the dividend paid during 2010. This dividend is subject to approval in the Annual Shareholders meeting on March 25, 2011.

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